

# HEARINGS TO REVIEW USDA ORGANIZATION AND PROGRAM ADMINISTRATION

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## HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS FIRST SESSION

SEPTEMBER 15, 16, 2015

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\* **Editor's note:** the Administrators listed as accompanying Mr. Avalos are also accompanying Mr. Almanza. To avoid duplication they are not printed here.

**HEARING TO REVIEW USDA ORGANIZATION  
AND PROGRAM ADMINISTRATION  
(PART 1)**

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**TUESDAY, SEPTEMBER 15, 2015**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Committee met, pursuant to call, at 1:30 p.m., in Room 1300, Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Thompson, Gibbs, Austin Scott of Georgia, Crawford, Gibson, Benishek, Yoho, Allen, Rouzer, Abraham, Moolenaar, Peterson, McGovern, Plaskett, Adams, and Ashford.

Staff present: Ashley Callen, Bart Fischer, Caleb Crosswhite, Callie McAdams, Chris Heggem, Haley Graves, Jackie Barber, Jessica Carter, John Goldberg, Josh Maxwell, Mary Nowak, Mollie Wilken, Paul Balzano, Patricia Straughn, Scott C. Graves, Skylar Sowder, Faisal Siddiqui, John Konya, Andy Baker, Anne Simmons, Evan Jurkovich, Keith Jones, Liz Friedlander, Mary Knigge, Mike Stranz, Nicole Scott, and Carly Reedholm.

**OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A  
REPRESENTATIVE IN CONGRESS FROM TEXAS**

The CHAIRMAN. Part 1 of the hearing of the Committee on Agriculture, to review USDA organization and program administration, will come to order.

I have asked Randy Neugebauer to open us with a quick prayer. Ready?

Mr. NEUGEBAUER. Father, we just come to You to praise You and thank You for the privilege You have given us to live in this great country. Father, help us to be good stewards of this country. You have blessed it in the past, and we pray that You continue to bless it in the future.

I will just pray now that You would be with us as we have these discussions about how to make a better life for all of our country and, in many cases, things that impact the world. We ask this and all these things in the precious name of Your Son, Jesus. Amen.

The CHAIRMAN. Thank you, Randy.

The Committee will come to order. I appreciate our first panel of witnesses being here this morning. Since the Committee organized in January 21 of this year, we have had 24 meetings. We are keeping the commitment to hold a top-to-bottom review of a full

range of issues and policies within our jurisdiction. We have held three executive briefings on trade, conducted 33 hearings, and stemming from what we have learned in those hearings, we have had eight business meetings with the purpose of advancing legislation.

I am very pleased with the Committee and the full House that we have successfully discharged all the legislation that required action, including addressing every program in our jurisdiction with an expired authorization.

I am very proud of the work that each Member of the Committee has done to make this happen. I am particularly pleased that we work together in such a strong bipartisan manner. Today and tomorrow, we will have before us most of the Under Secretaries of the Department of Agriculture. Each of these witnesses are responsible for an important mission within USDA. And accompanying our witnesses are Administrators, who actually do the hard work—the deputies get all the credit—of managing these agencies and programs within the larger mission areas.

These folks make up a network of nearly 100,000 USDA employees who carry out the laws that this Committee works to enact. We welcome each of you here today. I know that preparing for these hearings was time-consuming for our witnesses who already have plenty on their plate, so we are pleased that you would commit time and effort to bring your knowledge to us to help us, and your efforts and attendance will not go unnoticed. We appreciate the work you do.

The primary purpose behind these hearings is to connect the Members of the Committee with the full bench at USDA. As our witnesses are aware, each Member of this Committee serves on a number of Subcommittees that cover issues of special interest to that Member. These interests, of course, line up with the mission areas and agencies administered by our witnesses.

In short, this is a good opportunity for constructive dialogue between the Members of the Committee and the Department. It is an opportunity for our Members to gain an even stronger understanding of the policies and issues they focus on by getting under the hood, so to speak, to see how this smooth running machine operates.

It is also an opportunity for our witnesses to gain a better understanding of our responsibilities and the issues and policies that we care about. In a sense, it is about team building. Whatever our political stripes may be, we have shared responsibilities.

And insofar as possible, we ought to carry out these possibilities cooperatively and amicably. I think this goal is achieved more effectively when the members of each team know each other and respect each other. So while our work is always ongoing, I hope these 2 days together will allow us to learn how we might work better together more closely and more cooperatively for the good of the order.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN  
CONGRESS FROM TEXAS

This hearing will come to order.

Since this Committee formally organized on January 21 of this year, the Committee has met 44 times.

In keeping with my commitment to hold a top-to-bottom review of a full range of issues and policies within our jurisdiction, we have held three executive briefings on trade and conducted 33 hearings. And, stemming from what we have learned in these hearings, we have held eight business meetings with the purpose of advancing legislation. I am very pleased that this Committee and the full House has faithfully discharged all of the legislation that required action, including addressing every program in our jurisdiction with an expired authorization.

I am very proud of the work that each Member of this Committee has done to make this happen. I am particularly pleased that we have worked together in such a strong, bipartisan manner.

Today and tomorrow, we have before us most of the Under Secretaries of the Department of Agriculture. Each of these witnesses is responsible for an important mission area within USDA. Accompanying our witnesses are Administrators who manage agencies and programs within these larger mission areas.

These folks make up the network of nearly 100,000 USDA employees who carry out the laws that this Committee works to enact.

We welcome each of you here today. I know that preparing for these hearings can be time consuming for witnesses who already have plenty on their plate. So, please know that your commitment of time and knowledge does not go unnoticed or unappreciated. We do appreciate you and the work that you do.

The primary purpose behind these hearings is to connect the Members of this Committee with the full bench at USDA.

As our witnesses are aware, each Member of this Committee serves on a number of Subcommittees that cover issues of special interest to that Member. These interests, of course, line up with the mission areas and agencies administered by our witnesses.

In short, this is a good opportunity for constructive dialogue between Members of this Committee and the Department. It is an opportunity for our Members to gain an even stronger understanding of the policies and issues they focus on by getting under the hood to see how all, or at least more, of the parts work. It is also an opportunity for our witnesses to gain a better understanding of our responsibilities and the issues and policies we care about.

In a sense, it is also about team-building. Whatever our political stripes may be, we have shared responsibilities. And, insofar as it is possible, we ought to carry out these responsibilities cooperatively and amicably. I think this goal is achieved more effectively when the members of a team come to know and respect one another.

So, while our work is always ongoing, I hope that these 2 days together allow each of us to learn how we might work together more closely and more cooperatively for the good of the order.

With that, I recognize my friend, the Ranking Member, for any remarks he may wish to offer.

The CHAIRMAN. I recognize my good friend, the Ranking Member, for any remarks he might have.

#### **OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA**

Mr. PETERSON. Thank you, Mr. Chairman.

And I thank the witnesses for being here.

USDA's work covers a lot of ground, and given the size and scope of the Department, it is good that we understand the full picture of the work being done in the various mission areas.

I look forward to hearing from our witnesses over the next 2 days. The 2014 Farm Bill created some new programs for the Department to implement and administer, and I will be interested in the status update on this process. I am also hoping our witnesses can provide some guidance on the impact the budget sequester will have on farm program payments and what is being done to address other challenges in agriculture such as the threat of the recurrence of avian flu and the devastation caused by this summer's wildfires.

So we have a lot of testimony, so let's get to it, and thank you, again, Mr. Chairman.

I yield back.

The CHAIRMAN. Thanks, Collin.

The chair would request that other Members submit their opening statements for the record so our witnesses may begin their testimony and to ensure there is ample time for questions.

The chair would like to remind Members that they will be recognized for questioning in order of seniority for the Members who were here at the start of today's hearing. After that, Members will be recognized in the order of arrival, and I appreciate Members' understanding.

The witnesses are reminded to limit their oral presentations to 5 minutes. All written statements will be included in the record. And over the course of today's hearing, following the testimony of the Under Secretaries, the other Administrators will be here to answer questions.

And, with that, I would like to welcome our first panel. We have Ms. Alexis Taylor, Deputy Under Secretary for Farm and Foreign Agricultural Services, USDA. Ms. Taylor is accompanied by Val Dolcini, Administrator of the Farm Service Agency; Phil Karsting, the Administrator of the Foreign Agricultural Service; and Mr. Brandon Willis, Administrator, Risk Management Agency.

So, gentlemen, ladies, thank you for being here.

Ms. Taylor, you may begin at your pleasure.

**STATEMENT OF ALEXIS TAYLOR, DEPUTY UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY VAL DOLCINI, J.D., ADMINISTRATOR, FARM SERVICE AGENCY, USDA; PHILIP C. KARSTING, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, USDA; AND BRANDON WILLIS, ADMINISTRATOR, RISK MANAGEMENT AGENCY, USDA**

Ms. TAYLOR. Chairman Conaway, Ranking Member Peterson, and Members of the Committee, I am pleased to be here today to provide information on the programs and accomplishments of the Farm and Foreign Agricultural Services at the U.S. Department of Agriculture.

First, let me extend Under Secretary Scuse's apologies for not being able to join you here today and our appreciation for allowing me to testify in his place. Having started my career over a decade ago working for a Subcommittee Chairman on this very Committee, all I can say is it feels good to come home.

FFAS helps keep American farmers and ranchers in business as they face uncertainties from weather and markets. We deliver commodity, credit, conservation, disaster, emergency, and export assistance programs that improve the stability and strength of the rural economy.

Accompanying me today, as the Chairman said, is Administrator Val Dolcini of the Farm Service Agency; Administrator Brandon Willis of the Risk Management Agency; and Administrator Phil Karsting of the Foreign Agricultural Service.



Mr. Chairman, over the past 2 years, much of our work has been focused on implementing the 2014 Farm Bill, work we are truly proud of at the Department. The farm bill introduced two new farm safety net programs for program crop producers through FSA: The Agricultural Risk Coverage Program, or ARC; the Price Loss Coverage Program, or PLC. As a result of our aggressive producer outreach efforts, over 1.7 million producers elected to participate in these new programs.

FSA implemented the new Margin Protection Program for dairy last fall, and over 23,000 producers, over  $\frac{1}{2}$  of all the U.S. dairy operations, enrolled for calendar year 2015 coverage. FSA provides a broad range of additional services for American agriculture from disaster assistance to marketing assistance loans to conservation programs. FSA also invests in opportunities in rural communities, providing a variety of loan programs to farm families who are temporarily unable to obtain the credit they need.

RMA has also been very successful in implementing the farm bill's crop insurance provisions. RMA released the actual production history yield exclusion option for 11 crops for the 2015 crop year, and expansion has already been announced for the 2016 crop year.

APH yield exclusion as well as the Supplemental Coverage Option are now available for all major crops and many fruits and nuts. In addition, the Stacked Income Protection Plan for producers of upland cotton, or STAX, is available for over 99 percent of cotton acreage. The beginning farmers and ranchers incentives at FS—or excuse me, at RMA authorized in the farm bill have already been utilized by over 13,500 beginning farmers and ranchers, saving them over \$13.5 million in premiums and administrator fees. In addition, the farm bill instructed RMA to develop a Whole Farm Revenue Protection plan, which was available for the 2015 insurance year, and it will be available for all counties in the U.S. for the 2016 insurance year.

This is a first for the crop insurance program. The efforts of the FAS, combined with our market promotion programs and in collaboration with the agricultural community, have contributed to the strongest 6 years in history for U.S. agricultural exports. For many American products, foreign markets represent more than  $\frac{1}{2}$  of total sales. These U.S. agricultural products support about one million jobs here at home.

Over numerous farm bills, Congress has refined our agricultural market development programs, the largest of which is the Market Access Program, which benefits a diverse range of U.S. commodities. Also, the Market Development Program, like MAP, involves work with our agricultural cooperator partners. These programs are found to be highly effective. An independent study found that they provide \$35 in economic benefits for every \$1 spent by the government or industry.

FAS leads USDA's efforts to help developing countries increase food security, improve their agricultural systems, and build their trade capacity. For example, the McGovern-Dole Program provides support to child nutrition projects. We are quite proud that since the program was established in 2002, it has benefited more than 30 million children in 38 countries.

FAS trade negotiators are advocating on behalf of U.S. agriculture and the Trans-Pacific Partnership, or TPP, and the Transatlantic Trade and Investment Partnership, or T-TIP. FAS experts are a key part of our negotiating team.

TPP and T-TIP are opportunities not only to address market access commitments but also non-tariff barriers that impede our agricultural exports. Once these agreements are in place, the United States will enjoy improved market access and increased competitiveness to  $\frac{2}{3}$  of the global economy. I am proud to have the opportunity to work with such outstanding individuals in the FFAS mission area every day, individuals who I have seen work tirelessly over the past 2 years for the betterment of farmers and ranchers in rural communities.

Thank you for the opportunity to be here today, and we look forward to any questions you may have.

[The prepared statement of Ms. Taylor follows:]

PREPARED STATEMENT OF ALEXIS TAYLOR, DEPUTY UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Committee, I appreciate this opportunity to provide information on the programs and accomplishments of the Farm and Foreign Agricultural Services (FFAS) mission area of the U.S. Department of Agriculture. The FFAS mission area is composed of the Farm Service Agency, the Risk Management Agency, and the Foreign Agricultural Service. Much of our work in the past 2 years has focused on implementing the Agricultural Act of 2014 (the 2014 Farm Bill) in record time, providing safety net assistance to producers in every state within just a few months of bill passage.

#### **The Farm Service Agency (FSA)**

FSA programs encompass five of the twelve Titles of the 2014 Farm Bill, including Title I—Commodities, Title II—Conservation, Title V—Credit, Title VIII—Energy, and Title XII—Miscellaneous. The 2014 Farm Bill made significant changes to FSA's commodity safety net programs, as well as many other key agency programs.

#### *Commodity Programs*

The 2008 Farm Bill's Direct and Counter-Cyclical Program (DCP) and the Average Crop Revenue Election (ACRE) program were repealed and replaced by two new programs: Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC). FSA has completed the ARC/PLC "election" process, 1.7 million producers made an election—exceeding the number of producers who participated in DCP/ACRE. The "election" period was open to producers from November 17, 2014, through April 7, 2015, when they had the opportunity to make a one-time election of ARC or PLC for their 2014–2018 crops. During this period, base acres could be re-allocated (although not increased) and program payment yields could be updated. We are currently in the "enrollment" phase, which ends on September 30, 2015, where producers are signing contracts associated with their 2014 and 2015 crops.

The first ARC/PLC payments—for the 2014 crop year—will be made in October 2015, shortly after marketing year average price data starts becoming available, and will continue through the fall as price data for additional commodities is published. Given the significant drop in commodity prices since passage of the farm bill, our current projection is that about \$6.5 billion in 2014 crop payments will be made, largely to corn producers who signed up for ARC.

Implementing the 2014 Farm Bill in record time required an "all hands on deck" approach to reach producers, and close collaboration between our university and extension partners and, of course, the hard work of our dedicated FSA staff. We worked closely with our university partners at Texas A&M, the Food and Agricultural Policy Research Institute, the University of Illinois, and others, who developed on-line web-based decision tools so that farmers could input their own farm data and explore various scenarios associated with adopting ARC or PLC, as well as the intersection of these programs with our crop insurance offerings.

Further, FSA worked with extension specialists in virtually every state on an extensive ARC/PLC education and outreach effort. Over 400,000 attendees participated in approximately 5,000 local ARC/PLC events that provided producers with valuable information on how to best manage risk on their farms. The ARC/PLC web tools were demonstrated at over 2,500 of these events and the tool developers hosted help desk “hotlines” for producers who needed additional help. In addition to collaboration with our university and extension partners, we worked closely with our media partners who produced over 1,000 news stories on ARC/PLC.

Under the 2014 Farm Bill, upland cotton is no longer a covered commodity and is not eligible to participate in ARC or PLC, but rather, is eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency. For counties where STAX was unavailable, upland cotton was eligible for the Cotton Transition Assistance Payments program (CTAP) for 2014 and 2015 crops. FSA paid about \$540 million to over 184,000 farms for 2014 CTAP payments; 2015 CTAP payments dropped off dramatically because STAX was available for over 98 percent of cotton acres.

FSA has implemented the new Margin Protection Program for Dairy (MPP-Dairy) and over 23,000 producers—over  $\frac{1}{2}$  of all U.S. dairy operations—enrolled for calendar year 2015 coverage. We are now focused on 2016 calendar year enrollment, which closes on September 30, 2015, and FSA has an intensive mailing effort underway, just like last year, to encourage as much participation as possible. The new MPP-Dairy offers dairy producers catastrophic coverage to participating producers when the national dairy production margin is less than \$4 per hundredweight (cwt), at no cost to the producer after an annual \$100 administrative fee. Producers may also purchase higher coverage, for a premium, that provides payments when margins are between \$4 and \$8 per cwt. So far in 2015, producers who enrolled at the \$8 coverage level received modest payments during three payment periods.

#### *Disaster Assistance Programs*

Immediately after the 2014 Farm Bill passage, FSA focused on implementing the livestock and tree disaster assistance programs—including the Livestock Forage Disaster Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP); and the Tree Assistance Program (TAP). These programs, which had been expired for nearly 3 years, were resumed within 60 days following enactment of the 2014 Farm Bill. This assistance benefited a diverse array of producers who were hit hard by natural disasters, ranging from winter storms, to wildfire, to drought. So far, FSA has issued approximately 700,000 payments to producers since the spring of 2014, totaling over \$5.6 billion. The LFP accounted for the bulk of these payments. Through its Livestock Forage Program, USDA projects it will provide at least \$2 billion in assistance to livestock producers in Fiscal Year 2015.

The Noninsured Crop Disaster Assistance Program (NAP) was expanded in the 2014 Farm Bill to include protection at higher coverage levels, similar to provisions offered under the Federal crop insurance program. NAP continues to offer coverage at the catastrophic level based on 50 percent of expected production at 55 percent of the average market price for the crop. However, producers can now obtain additional coverage levels ranging from 50 to 65 percent of expected production, in five percent increments, at 100 percent of the average market price for the 2014–18 crops years. Beginning, limited resource, and other traditionally under-served farmers are now eligible for a waiver of the NAP service fee and a 50 percent reduction in premium for additional levels of coverage. The majority of 2015 NAP-eligible spring-seeded crops had an application closing date of March 15, 2015; additional crop application closing dates occur through the upcoming fall months as well.

In addition to the ARC/PLC web tools noted earlier, the University of Illinois and their partners developed decision tools for both MPP-Dairy and NAP. These tools help producers make decisions about the optimal level of coverage for their operations, and have been widely accessed by producers. Further, approximately 14,000 producers have participated in MPP-Dairy educational meetings and about 17,000 producers have participated in NAP educational meetings.

#### *Conservation Reserve Program*

The Conservation Reserve Program (CRP), one of USDA’s largest conservation programs, allows USDA to contract with landowners so that environmentally sensitive land is not farmed or ranched, but instead used for conservation benefits. For 30 years, CRP has helped participants establish long-term, resource-conserving cover. In return, FSA provides participants with annual rental payments, incentive payments, and cost-share assistance. Contract duration is between 10 and 15 years. CRP improves water quality, reduces soil erosion, and restores habitat for ducks,

pheasants, turkey, quail, deer and other wildlife. In doing so, CRP spurs hunting, fishing, recreation, tourism, and other economic development across rural America.

Currently, 24.2 million acres are enrolled in CRP contracts, including 18.1 million acres under general sign-up enrollment authority and 6.1 million acres under continuous sign-up enrollment authority. CRP general sign-up is a competitive process conducted on a periodic basis, while CRP continuous sign-up occurs on an on-going basis throughout the year and does not involve a discrete sign-up period and is non-competitive. CRP contracts on 1.8 million acres (combined general and continuous) are set to expire on September 30, 2015; program payments total approximately \$1.8 billion annually.

Earlier this year, the Secretary announced that the next CRP general sign-up offer period will begin on December 1, 2015, and that continuous sign-up for the new grassland component will begin on September 1, 2015. We will enroll sufficient CRP acreage to meet as closely as possible, but not exceed, the 24 million acre enrollment cap set in the 2014 Farm Bill, which is to be reached by Fiscal Year 2017. General sign-up program participants with contracts expiring September 30, 2015, and less than 15 years in duration, have the option of a 1 year extension. Those with continuous sign-up contracts are eligible to re-enroll in CRP.

We are proud of the impact that CRP has had on the rural landscape. Since its inception, we estimate that CRP has prevented more than 8 billion tons of soil from eroding and reduced nitrogen and phosphorous runoff by 95 percent and 85 percent, respectively, on enrolled lands. In addition, CRP has sequestered an estimated average of 50 million tons of greenhouse gases annually since 2008, which is equal to taking eight million cars off the road each year.

#### *Farm Loan Programs*

Most farm loan programs are permanently authorized through the Consolidated Farm and Rural Development Act. However, the 2014 Farm Bill made several program changes, such as providing more favorable interest rates for joint financing arrangements, providing a larger percent guarantee on guaranteed conservation loans, increasing the loan limits for the down payment loan program, making youth loans available in urban areas, and eliminating term limits for guaranteed operating loans. All of these changes were implemented in the spring of 2014.

Since then, FSA has implemented additional loan program changes authorized in the 2014 Farm Bill, such as increasing the maximum amount for direct farm ownership loans from \$225,000 to \$300,000, and eliminating the rural residency requirement for youth loans. FSA raised the borrowing limit of its popular microloan program from \$35,000 to \$50,000; updated the “farming experience” loan eligibility requirement to include military leadership positions, advanced agricultural education, or other non-farm management experience; and FSA is in the process of implementing a relending program to help Native American producers purchase fractionated interests of land.

Farm loan programs through FSA constitute the Department’s largest investment in beginning farmers. Since 2009, FSA has provided over \$13 billion in direct and guaranteed loans to beginning farmers. Beginning farmer loans now comprise over 55 percent of the Agency’s direct loan portfolio, and the portfolio continues to grow. At the same time, loans to beginning farmers continue to perform well, with delinquencies below the portfolio average.

FSA’s work on microloans—of which 70 percent has gone to beginning farmers—was initiated prior to farm bill passage and has been a resounding success, due in part to the streamlined paperwork required of applicants. Microloan financing focuses on the farm operating needs of a wide variety of operations, most notably small, beginning, niche, and non-traditional farm operations, such as farms participating in direct marketing and farmers’ markets. The microloan debt limit is \$50,000 per borrower. Demand is up 58 percent over last year, and soon we will make our 15,000th microloan, just 2½ years after program initiation. Fifty-five percent of microloans go to first-time FSA customers.

FSA also provides low-interest financing through our Farm Storage Facility Loan program, which helps producers build or upgrade storage and handling facilities, and it was announced in mid-August that we will now include dairy, flowers and meats as eligible commodities. Since 2000, more than 35,000 loans have been approved totaling \$2 billion in rural investments. On average, about 1,600 new loans are made each year.

#### *Energy Programs*

Supporting the biobased economy is also a focus of FSA. U.S. farmers are producing record amounts of feedstocks for renewable fuels, although lower commodity prices have created uncertain times. FSA announced this June the availability of

up to \$100 million in grants under the Biofuels Infrastructure Partnership to support the renewable fuel infrastructure and build the market for ethanol. USDA announced finalists for awards on September 10, 2015; additional details will be announced later in the month. Interest in this program was very high and funding requests well exceeded the \$100 million limit, with only a 1 month application period.

In addition, FSA announced that enrollment began for farmers and forest owners seeking assistance for growing biomass for energy or biobased products within designated projects areas under the Biomass Crop Assistance Program (BCAP), which was reauthorized by the 2014 Farm Bill. Biomass energy facilities or groups of producers may submit proposals for new BCAP project areas through November 6, 2015. In addition, FSA will allocate \$7.7 million to four existing BCAP project areas in New York, North Carolina, Ohio/Pennsylvania and Kansas/Oklahoma for biomass establishment and maintenance payments through Sept. 25, 2015. Overall, BCAP has provided incentives for producers across more than 48,000 acres in 71 counties and 11 different project areas since the program was first authorized by the 2008 Farm Bill.

#### **The Risk Management Agency (RMA)**

RMA provides crop insurance to America's farmers and ranchers through a partnership with private insurance companies. In the year and a half since the passage of the 2014 Farm Bill, RMA has implemented almost all of Title XI (crop insurance provisions). From implementing the Actual Production History (APH) Yield Exclusion to offering a Whole Farm Revenue Protection insurance product that will be available in every county in the United States, I am proud of the accomplishments RMA has achieved over the past 18 months. While there is still work to be completed, farmers and ranchers have begun to take advantage of the new crop insurance options.

#### *The Supplemental Coverage Option and STAX*

The Supplemental Coverage Option (SCO) and Stacked Income Protection Plan for Upland Cotton (STAX) were made available for the 2015 crop year. SCO was available for corn, cotton, cottonseed, grain sorghum, rice, soybeans, spring barley, spring wheat, and winter wheat in selected counties for the 2015 crop year—representing over 80 percent of the program acres covered in the Federal Crop Insurance Program. RMA has continued expansion of SCO for the 2016 crop year with expansion to many fruit and nuts. RMA continues to research additional crops for suitability under SCO and will make additional announcements as the data becomes available.

STAX is currently available in every county that had an existing crop insurance policy for cotton, representing over 99 percent of cotton acres in the United States. STAX is expected to be available for the remaining “traditional” cotton producing areas for the 2016 crop year.

#### *Additional New 2014 and 2015 Offerings*

RMA was able to develop and release the APH Yield Exclusion option for 11 crops for the 2015 crop year. As a result, nearly  $\frac{3}{4}$  of all program acres and liability in the Federal Crop Insurance Program was covered under this new option for the 2015 crop year. RMA has already announced expansion of APH Yield Exclusion for the 2016 crop year for many crops, including winter wheat. RMA continues to research additional crops for suitability under APH Yield Exclusion and will make additional announcements as the data becomes available.

A Peanut Revenue Policy was also made available for the 2015 crop year. This policy was approved by the Federal Crop Insurance Corporation Board of Directors less than a year after the 2014 Farm Bill became law. As a result, peanut farmers now have the ability to manage risk for both yield and revenue losses.

The beginning farmers and ranchers incentives authorized in the 2014 Farm Bill were made available to farmers and ranchers for fall planted wheat in 2014. To date, over 13,500 new and beginning farmers and ranchers have taken advantage of these incentives on almost 49,000 policies. Beginning farmers and ranchers have saved over \$14 million in premiums and administrative fees because of this provision.

The 2014 Farm Bill required RMA to offer a plan of insurance to cover diversified farms. Prior to the passage of the 2014 Farm Bill, RMA had already begun development of the Whole Farm Revenue Protection (WFRP) pilot policy and the Federal Crop Insurance Corporation Board of Directors approved the policy shortly after the 2014 Farm Bill was enacted. As a result, WFRP was available for purchase for the 2015 crop year. This option has been generally well received when presented to specialty crop and organic growers around the country. After reviewing comments from growers, RMA intends to make additional improvements to WFRP for the 2016 crop

year. In addition, WFRP will be available in every county in the United States—a first for any policy under the Federal crop insurance program.

RMA is also making progress in offering organic price elections for all crops, as required by the 2014 Farm Bill. Since 2010, RMA has eliminated the organic surcharge, added price elections for over 42 crops, and created the contract price addendum, which is available for 62 crops.

The 2014 Farm Bill linked the ability of a producer to receive a Federal crop insurance premium subsidy to USDA highly erodible land (HEL) and wetland conservation (WC) compliance. In an effort to ensure that producers continue to receive the Federal crop insurance premium subsidy, RMA worked with the Natural Resource Conservation Service (NRCS) and FSA to develop comprehensive guidelines for farmers to comply with USDA conservation requirements. The three agencies collaborated to provide information to the respective field offices and developed material for all three agencies to inform Federal crop insurance customers of the new requirements. Successful outreach efforts continued well into this summer, and 98 percent of producers participating in the Federal crop insurance program have certified or requested determinations to comply with HEL and WC requirements.

Each one of the aforementioned 2014 Farm Bill items was completed by RMA within the past 18 months.

#### **The Foreign Agricultural Service (FAS)**

The Foreign Agricultural Service (FAS) is USDA's lead international agency, linking U.S. agriculture to the world to enhance export opportunities and global food security.

The efforts of FAS employees, both in Washington and around the globe, combined with 2014 Farm Bill authorized market promotion programs, and collaboration with the U.S. agricultural community, have contributed to the strongest 6 years in history for U.S. agricultural trade. From Fiscal Years 2009 to 2014, U.S. agricultural exports totaled \$771.7 billion. For many American products, foreign markets now represent more than ½ of total sales. U.S. agricultural exports support about one million jobs here at home, a substantial part of the 11.7 million jobs supported by all exports across our country. Credit for record exports belongs to America's hardworking farm and ranch families.

FAS supports those producers through a network of agricultural economists, marketing experts, negotiators, and trade specialists in Washington, D.C. and 95 international offices covering 167 countries. We are proud that our role in opening and maintaining markets has resulted in billions of dollars of additional U.S. agricultural exports. FAS also contributes to the Department's goal of enhancing global food security. The food assistance programs, technical assistance, and capacity building activities administered by FAS have provided assistance that has helped millions of people worldwide.

Trade policy, trade promotion, and capacity building are the core functions at the heart of the programs and services that FAS provides to U.S. agriculture.

#### *Trade Policy*

FAS expands and maintains access to foreign markets for U.S. agricultural products by removing trade barriers and enforcing U.S. rights under existing trade agreements. Our personnel have been instrumental in resolving numerous sanitary, phytosanitary, and technical barriers to trade. FAS works with foreign governments, international organizations, and the Office of the U.S. Trade Representative (USTR) to establish international standards and rules to improve accountability and predictability for agricultural trade.

FAS trade negotiators are currently advocating on behalf of U.S. agriculture in two major negotiations: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP). FAS experts are an integral part of the negotiating team and USDA's economic analysis supports the negotiating strategy on agriculture. The TPP and T-TIP are opportunities to address not only market access commitments, but also non-tariff Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) issues that impede our agricultural exports. Once these agreements are in place, the United States will enjoy improved access to markets representing ⅔ of the global economy.

#### *Trade Promotion*

Over numerous farm bills, Congress has authorized and refined an effective combination of agricultural market development and export credit guarantee programs. These programs that are designed to develop markets, facilitate financing of overseas sales, and resolve market access barriers dovetail with the FAS mission. We must open, expand, and maintain access to foreign markets, where 95 percent of the

world's consumers live. FAS partners with 75 cooperator groups representing a cross-section of the U.S. food and agricultural industry and manages a toolkit of market development programs to help U.S. exporters develop and maintain markets for hundreds of products.

The largest market development program operated by FAS is the Market Access Program (MAP). MAP is a cost-share program that uses funds from USDA's Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for hundreds of U.S. agricultural products. Through MAP, FAS partners with nonprofit U.S. agricultural trade organizations, U.S. agricultural cooperatives, nonprofit State Regional Trade Groups, and small-sized U.S. commercial entities to share the costs of overseas marketing and promotional activities, such as consumer promotions, market research, and trade show participation. A range of U.S. commodities from Texas beef and cotton, to Minnesota pork and soybeans, to California grapes and tree nuts, and apples and pears from the Pacific Northwest, all benefit from MAP. The 2014 Farm Bill makes available \$200 million of CCC funds annually for MAP; that amount is matched with industry contributions.

The Foreign Market Development Program (FMD) is another market development program reauthorized by Congress in the 2014 Farm Bill. FMD is a cost-share program that aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The 2014 Farm Bill makes available \$34.5 million of CCC funds annually for FMD. The program fosters a market development partnership between USDA and U.S. agricultural producers and processors who are represented by nonprofit commodity or trade associations known as Cooperators. Under this partnership, USDA and each Cooperator pool their technical and financial resources to conduct overseas market development activities. FMD-funded projects generally address long-term opportunities to reduce foreign import constraints or expand export growth opportunities. For example, FMD supported projects might include efforts to reduce infrastructural or historical market impediments, improve processing capabilities, modify codes and standards, or identify new markets or new uses for the agricultural commodity or product. FAS has allocated funds to 22 trade organizations that represent U.S. agricultural producers in FY 2015. The organizations on average contribute nearly triple the amount they receive in Federal resources.

Working with our agricultural cooperator partners, the programs have been shown to be highly effective. An independent study released in 2010 found that the programs provide \$35 in economic benefits for every dollar spent by government and industry on market development.

#### *Building Capacity and Food Security*

FAS leads USDA's efforts to help developing countries increase food security, improve their agricultural systems, and build their trade capacity. FAS's non-emergency food aid programs help meet recipients' nutritional needs and also support agricultural development and education.

The McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole) provides agricultural commodities and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries committed to universal education. In August, USDA announced funding for seven school feeding projects to be supported by the McGovern-Dole in Fiscal Year 2015 that will benefit more than 2.5 million children in Africa and Central America. For FY 2015, FAS is donating U.S.-produced corn, corn-soy blend, lentils, green and yellow split peas, fortified rice, vegetable oil and pinto beans. The seven new McGovern-Dole projects are in addition to 28 projects ongoing in 21 countries. For FY 2016, USDA is requesting McGovern-Dole funding be maintained at \$191.6 million. Since the program was established in 2002, it has benefited more than 30 million children in 38 countries.

Sustainability is an important aspect of McGovern-Dole. FAS and its partner organizations work to ensure that the communities served by the program can ultimately continue the sponsored activities on their own or with support from other sources such as the host government or local community. For example, the Government of Bangladesh has increasingly taken over responsibility for McGovern-Dole school feeding projects, pledging from 2015 onward to spend \$49 million annually. By 2017, the Government of Bangladesh will manage school feeding in 50 percent of the schools currently receiving food under McGovern-Dole.

Since Congress established the Food for Progress (FFPr) program in 1985, it has been a cornerstone of USDA's efforts to support sustainable agricultural production in developing nations that are committed to free enterprise in the agriculture sector. Under FFPr, proceeds from the sale of donated U.S. agricultural commodities are used to fund projects that improve agricultural market systems and trade capacity.

The 2016 Budget request includes an estimated program level of \$135 million for this CCC-funded program. This year, FAS will donate more than 200,000 metric tons of U.S.-produced corn, rice, soybean meal and vegetable oil. The proceeds will assist six organizations that will work with local farmers, cooperatives, exporters and others on projects to improve agricultural production, food processing, food safety and quality, and marketing and distribution. The six new FFPr projects being supported by FAS in Fiscal Year 2015 are in addition to 66 projects ongoing in 26 countries.

For example, at the request of the Government of Jordan, USDA announced in May a FFPr agreement to provide 100,000 MT of U.S. wheat, valued at approximately \$25 million. The Jordanian Government will use proceeds from the sale of the wheat to improve the country's agricultural productivity, specifically through water conservation (over 20 percent of Jordanians are water insecure). As one of our most steadfast partners in the Middle East, the Government of Jordan will be able to access the expertise of USDA to improve its agricultural productivity and therefore relieve some of the economic burden that it is facing as a result of nearly 630,000 refugees from Syria living in Jordan.

USDA looks forward to implementing the new Local and Regional Purchase (LRP) program provided in the 2014 Farm Bill, based on the success of the LRP Pilot implemented under the previous farm bill. The Department's FY 2016 budget request includes \$20 million to support the LRP program. LRP would provide for local and regional procurement of food aid commodities to complement existing food aid programs—especially McGovern-Dole—and unexpected emergencies. In a non-emergency situation, an LRP pilot implementing partner, Land O' Lakes, worked with local processors in Bangladesh who made cereal bars from chickpeas, peanuts, rice, and sesame seeds to supplement a school feeding program. Today, local processors have commercialized the cereal bar and are reportedly now sourcing from 15,000 farmers in Bangladesh, instead of importing ingredients. Requested funding is expected to support three to four development programs.

I am very pleased with the outstanding 2014 Farm Bill implementation work performed by all FFAS mission area employees. This concludes my testimony. I will be happy to answer any questions you may have.

The CHAIRMAN. Ms. Taylor, thank you for your opening remarks. And gentlemen, thank you for being here.

Let me start with Mr. Willis.

Brandon, can you talk to us a little bit about the—our Congressional intent, when we set up the enterprise unit system that had irrigated *versus* non-irrigated, our intent was to allow farmers to mix and match on this. I think the RMA has taken a little stricter definition.

Is there an opportunity to have RMA reevaluate this idea about forcing all irrigated into one unit, all non-irrigated into another, and not allowing producers to come up closer to what we, at least in our minds, thought we were setting up for them to do?

Mr. WILLIS. Certainly. I appreciate the question, Mr. Chairman. The farm bill provided a significant amount of new options for farmers in the crop insurance title, new programs, and overwhelmingly, farmers have reacted positively to those. The section you are talking about, separation of enterprise unit by practice, we have not issued a final rule yet. We issued the interim rule a little over a year ago.

Where we struggle with that is we don't see where the authority is to provide anything more than the separation of coverage by irrigated or non-irrigated, and we have looked at the report language as well.

So I guess the short way of saying it is we struggle to see where the authority comes from to go beyond where we are right now. Having said that, the final rule has not been issued yet either.



The CHAIRMAN. Well, thanks, Brandon. I hoped we would be able to continue discussions because we have a little different interpretation of that as well.

Ms. Taylor, you mention the current negotiations going on with T-TIP and TPP. We are also a little concerned with the Nairobi Round of Doha as an example where we think agriculture is a big piece of that, and from Randy and my perspective, the cotton guys have given at the office, so to speak, when you look at what happens to them, in particular with the 2014 Farm Bill. You mention STAX and others.

Can you talk to us a little bit about what you think the instructions will be from y'all's perspective to the trade negotiators with respect to the Nairobi talks?

Ms. TAYLOR. Certainly, Mr. Chairman.

Thank you for that question. USDA has been in active conversations with our office in Geneva. FAS has employees at the mission there, and we have been very active and in conversations with Ambassador Punke, who heads the mission in Geneva, and Ambassador Vetter, who heads the Ag Office here. U.S. agriculture has really benefited from the WTO system having a rules-based international trading system. It has opened markets, and it has really helped contribute to last year being a record year of agricultural exports of \$150 billion. We have a strong interest in concluding Doha, the Doha Development Round in Nairobi; however, we are not interested in unilaterally making concessions, particularly on the side of domestic support where a growing problem internationally is really some of the increased support from emerging economies.

We continue to have conversations through—and we will in the weeks and months to come, and we will certainly keep the Committee apprised. I think it is a little too early to know exactly how this will all come about in December.

However, I do think it is important to highlight that the WTO hasn't been our only option, and that is why we have aggressively pursued agreements like the Trans-Pacific Partnership that really give our agricultural producers a lot of new market opportunities around the world.

The CHAIRMAN. All right. Well, thank you, and obviously, that is at the front of a lot of our producers' minds as they watch those talks unfold.

Val, could you talk to us a little bit about the interpretation on the AGI with respect to pass-through entities and the impact that not allowing a section 179 deduction to reduce the income there in terms of a separate application of the payment limit rule? Can you visit with us about the impact of that, and we are seeing it, a disproportionate impact of what we intended to have. Can you walk us through that a little bit?

Mr. DOLCINI. I appreciate the opportunity to answer that question, Mr. Chairman. We are taking it on a case-by-case basis. We have seen it come up in the Midwest in some cases. Most recently, I was made aware of a case in Iowa. We are making sure that our experts here in Washington are in good communication with the state office specialist. We haven't seen it in huge numbers, frankly, but we are ready for it.

The AGI definition hasn't changed since 2002, but what we are seeing, in the field, is with good farm income over the last several years in some cases and a couple of years of payments, folks are taking advantage of their appreciation allowance a little bit more frequently than they had in the past. And so we are working with CPAs, with tax attorneys, and with other financial professionals that are working with our producers to make sure that they understand exactly what it is that we are doing, and to the degree we can offer greater clarification around that, we are happy to do that.

The CHAIRMAN. Well, in specific, Val, the pass-through entity, typically the section 179 deduction does not reduce its individual income because those attributes pass through separately. So if you don't have, let's say, for example, \$500,000 worth of immediate write-off under section 179, that is going to have a pretty dramatic impact at the income level of the entity itself. And so having you say that you are willing to look at the intended result was that the income would be actual income, AGI is, after all those deductions are out, if you are an individual. So the things that you have is that you are talking to two CPAs up here, but we just want to make sure that those pass-through entities get a fair treatment with respect to all the deductions; they don't somehow have an artificial restriction on the payment limits because their income appears to be bloated at that entity level.

Mr. DOLCINI. We are certainly keeping an open door, Mr. Chairman, in our state offices and here in Washington.

The CHAIRMAN. All right. Thank you.

I yield to the gentleman from Minnesota.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Dolcini, which FSA and RMA mandatory funded programs will be impacted by sequestration, and how soon will we know what level of cuts producers will be facing, or maybe Mr. Willis.

Mr. DOLCINI. Sure. I will take the first crack at that. All of the programs that we administer, with exception of CRP and Market Loan Gain Programs and the LDPs, will be affected by sequestration. We don't feel, obviously, that sequestration is a very good policy, and it doesn't offer much certainty to the producers that we work with all over the country. And we are working on a solution that we think will be an equitable one, and hopefully, we will be able to resolve that in the next few days, Mr. Peterson, but that is the universe of programs that will be covered, all but those three that I mentioned.

Mr. WILLIS. The crop insurance program that producers deal with every day is not impacted by sequestration. Other minor programs would be, but what producers are used to as far as crop insurance would not be.

Mr. PETERSON. Mr. Willis, how do you decide whether to use RMA data as opposed to NASS data in the implementation of title I programs? As you may know, we recently had a situation in my district where there was a concern about the NASS county data being used for the ARC-PLC program.

Mr. DOLCINI. Sir, I will take that question as it relates to ARC and PLC. We use a cascading level of yield, so we start with NASS county data. If that is not available, we turn to RMA county data. If that is not available, we go to NASS district data. And, finally,

if that is not available, we use data that the state committee develops.

We feel like the methodology used in the NASS county data is pretty solid. We have looked at it around the country, and we found that it is accurate, by and large, and where it is not available, we turn to the next best data, but that is the methodology that we use for the ARC county program.

Mr. PETERSON. And where there are problems, there is no way to fix this or to——

Mr. DOLCINI. At this point, I don't believe that there is, sir. We feel like the methodology that we are using is pretty sound, this is, in some ways, the nature of a county-based program, in this case, that there may be some disparities in payments from one county to another, could be weather related, could be related to other things. But we found that in most cases, the NASS county data that we are using is pretty good.

Mr. PETERSON. I understand that USDA has just announced that we are going to allow milk handlers to deduct premium payments from their milk checks for the Margin Protection Program, and I am very glad to hear that. I have been advocating that from the start. But what coordination have you had with the cooperatives or other handlers to alert them to this change, and given that the signup deadline is in 2 weeks, do you think that that is enough time for them to incorporate that into their system, especially for the larger cooperatives?

Mr. DOLCINI. In most cases, the 2015 premium payments have been made, so the change that we have envisioned here, and we have worked a lot with cooperatives here in town and elsewhere, will be effective for the 2016 program year, and the result of that will be that 100 percent of the premium will be due on September 1 of next year as opposed to this year, where we had 25 percent due on February 1, and the balance due later in the summer.

So we think that this is a better option. We appreciate your support for it, and we think that it will make the program work a little bit more effectively in terms of getting premium payments made through the cooperatives.

Mr. PETERSON. These cooperatives are going to be on board then and be able to do this?

Mr. DOLCINI. That is my understanding, sir.

Mr. PETERSON. The current signup deadline is September 30, and I understand that at this point, only 30 percent of the producers that have signed up last year have signed up again. Is that true?

Mr. DOLCINI. The numbers are still quite fluid, and of course, in the last couple of weeks of any signup that we do, we see greater participation in the final weeks. We anticipate that that will be the case in this instance as well. We are going the plan on doing another mass mailing. We sent out a big postcard to generate signup for the first go-round of MPP, and we will do that again.

We are also continuing to do local outreach in your home state and other places around the country. When I traveled in New England, we talked at lot about this as well, so we are hopeful that we can get as much interest in the program for the 2016 year as we had in 2015.

Mr. PETERSON. So if we only end up with 30 percent, are you going to extend the deadline to try to—

Mr. DOLCINI. We will look at that, sir, as we get a little closer to the deadline. We are always mindful of the fact that producers are busy with other things, and there are lots of folks in the midst of harvest right now, and so we want to make sure that we are offering everyone the opportunity to get into the offices and sign up.

Mr. PETERSON. Are they going to be aware of the fact that they can have a month-to-month—

Mr. DOLCINI. They certainly were—

Mr. PETERSON.—premium taken out of their check?

Mr. DOLCINI. We are going to make every effort to make sure that everybody knows about that.

Mr. PETERSON. Thank you.

Thank you, Mr. Chairman

The CHAIRMAN. I thank the gentleman.

Mr. Dolcini, just to clarify, did you give Mr. Peterson a percentage that the sequester cuts might be for this coming year? Have you all figured the percentage yet?

Mr. DOLCINI. We have not figured out the precise percentage, sir. For this year, it is 7.3 percent. For the fiscal year to come, it is 6.8 percent.

The CHAIRMAN. Okay, 6.8 percent, thank you.

Mr. Neugebauer, 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. Dolcini, during the spring and the summer, we received a number of complaints from producers that were trying to get their financing through FSA, and in many cases, they were telling them that it would take months in some cases to process some of those applications. And that began to cause a problem for a number of those producers because they have planting deadlines, and so producers are worrying about planting deadlines, and they are worrying about financing. I was just wondering what do you see as to the current conditions? And then, more importantly, with these commodity prices in some of the areas so low—the farm income, and some commodities—it doesn't look all that favorable, and so then I get to thinking about next spring. Are we going to have the people in place to give them more timely help for some of these producers to get their financing?

Mr. DOLCINI. Mr. Neugebauer, that is an excellent question, and it is one that we spend a lot of time thinking about and working on at the Farm Service Agency both here and in your home State of Texas and, frankly, every other place where we have FLP teams around the nation.

To address the issues that you raised earlier with me this year in Texas and other parts of the country, we sent jump teams in from other states that had a little more time on their hands to the degree that folks do have time on their hands and send them into Texas in 2 and 4 week details. We were able to address a lot of the backlog issues down there in Texas, and we were able to do that in Alabama as well.

In the year to come, though, I think that we are going to have to continue to employ creative approaches to our workload issues like that. We have also brought on a number of new farm loan offi-

cer trainees around the country, and we are bringing them up to speed as quickly as we can so that they are able to jump in and help out wherever they are needed as well.

We have had record years, as you probably know, on the farm loan program side at FSA over the last several years. In fact, in Fiscal Year 2015, we made nearly 27,000 direct loans and 8,400 guaranteed loans for a total portfolio of about \$5.2 billion. That breaks the record last year, and we are likely to see continued interest in our programs in Fiscal Year 2016 as well.

It is one thing, of course, to make those loans and it is another to service those loans, and servicing takes longer. It takes a greater degree of expertise, and so one of the things that I am going to be focused on in Fiscal Year 2016 is ensuring that our folks in the field today have the appropriate training and background to service those loans appropriately, and to the degree that I need to reallocate resources and bring people in from different states to focus on servicing issues in the Midwest or the Southeast or far West, I am going to do that as well.

Mr. NEUGEBAUER. I think it would be helpful if you anticipate those areas where you think you are going to have the higher participation rate and can get in there early for some of those folks as well.

Something that you and I have discussed before is this payment limit issue where we have producers that have cotton in the loan program and their payment limits and not knowing necessarily exactly where they are. I think you said you all were working on that was the comment that you made last time. How is the work going?

Mr. DOLCINI. The work is going pretty well. I can't tell you today that I have a permanent solution, but we have worked closely with the Cotton Council to make sure that they have realtime information about pricing issues so that folks don't get caught in a bind and their members don't get surprised by a piece of financial news that comes out.

We will hopefully have a permanent solution, sir, this fall. I would be happy to come back up and visit with you personally about what we are doing there.

Mr. NEUGEBAUER. Now, I know that you are currently going to be issuing the ARC and PLC payments, but as I understand it, you may be holding up the final distribution of some of those checks until you have done some of the work on determining whether people are in compliance with the limits or how—

Mr. DOLCINI. With regard to that specific question, sir, I am going to have to get back to you with a better and more definitive answer on that. I don't know that we have discussed that at this point, but it could be emanating from the staff level at the agency.

Mr. NEUGEBAUER. Well, it is my understanding, just so to be clear, is that you all are in the process of determining whether they are in compliance with the loan limits—

Mr. DOLCINI. That is true.

Mr. NEUGEBAUER.—before you issue the checks, and the question is: are you going to be able to do that in a timely basis so that those checks can go out on a—

Mr. DOLCINI. Yes, that is our intent, sir.

Mr. NEUGEBAUER. Okay. Quick question. The generic acres, in my district, we had some folks converting from one commodity and another, and in some of those commodities, there is not a lot of history on that, and there has been some concern making differentiation between dryland and irrigated, and what do you see doing to make sure we have good numbers?

Mr. DOLCINI. We have had some good conversations in the last couple of days at the staff level. Mr. Abraham raised this question with me as well when I was last here, and we have come up with a proposed solution for the 2014 and 2015 crop years where producers on any farm may agree to allocate their generic base according to the contractual agreement that exists, which is, a better way to approach it.

For future years, we would likely want those producers to reconstitute their farms according to established policy, but in the near term, we see the need for some relief, and we are happy to provide that.

The CHAIRMAN. The gentleman's time has expired. Thank you all.

Mr. Ashford, for 5 minutes.

Mr. ASHFORD. I am fine.

The CHAIRMAN. Thank you.

Mr. McGovern, for 5 minutes.

Mr. MCGOVERN. Thank you very much.

This is toward Administrator Karsting. I am a big fan of the McGovern-Dole Program, which has been in operation now for slightly over a decade, and I remember when it first began. It just seems like yesterday. But the program has come a long way, and one of the things that I have been really impressed with USDA about is its ability to kind of adapt and adjust and to constantly make the necessary changes to the program so that it is the most effective that it could possibly be.

Now, I just would be curious if you could describe what you think are the most important lessons that have been learned in implementing the program, and what are you most proud of?

Mr. KARSTING. Well, first of all, I am a big fan of the program too, and what makes me proud is when I go to places like Laos, as I did a few months ago, and I see kids whose teeth and skin and hair are better because they have the benefit of American nutrition support to their school nutrition programs and they go to school ready to learn, and that is a huge thing, especially in some really poor countries. As you know, we focus in areas where childhood stunting is very much a problem.

Part of the success of McGovern-Dole is the relationship that we have cultivated with our cooperating organizations, the nonprofits that we work with. They go in consultation with our people at post. We have some really talented attachés all over the world and make sort of an individual regionalized assessment so they know what is going to work in one region because what works in one region isn't necessarily going to work in another.

The next evolution that we are trying to do, in McGovern-Dole, focuses on some authority that this Committee was kind enough to give us in the last farm bill, and that relates to local and regional procurement. And when we find places where the addition of a lo-

cally procured item to the mix might increase kids' ability or increase their nutrition, increase adoption of, or making permanent, school nutrition programs and begin to sow the seeds of a value chain in country, I think that is a really exciting thing to do.

And if I could, just one more thing. We also have done some work on micro-nutrients, and that has had some measurable effects, not just in nutrition that kids get but in their cognitive abilities when they get to school.

Mr. MCGOVERN. Well, I appreciate that. Again, I appreciate the innovation as well as the willingness to make the necessary adjustments to make the program as effective as it possibly can be.

I just wanted to say that one of the things that has been very helpful has been with regard to Feed the Future, which falls under the USAID, but they have had a very proactive approach to try to remind Members what Feed the Future is all about and how it is evolving and all the things they are accomplishing, all the things it has accomplished.

I would like to suggest that it would be great to see a similar effort on McGovern-Dole. Members would be very proud of this program. I am not sure how many people are really aware of all that it does, but if they were, the support would be even greater if they knew about the program and how the combination of U.S. commodities and purchased commodities, technical assistance and cash grants combine to feed and educate millions of some of the most vulnerable kids in the world, including a lot of girls who otherwise would never go to school if it wasn't for this program.

It is one of the great success stories in our foreign aid programs, especially with regard to food assistance, and we ought to do more of it. I visited a McGovern-Dole Program when it initially happened in a displaced persons community in Colombia. And a young mother came up to me and the Ambassador and thanked us very much for this program because her son, who was 11 years old, every day was trying to be recruited by one of the armed actors, and in exchange, they promised the mother they would feed the kid.

And now, with this program, the mother was able to put her son in school, but we need to figure out a way to make more people aware of it because that would translate to more support.

Mr. KARSTING. I appreciate that. We will take note of that. I would also invite any Members, if you travel internationally, if you have a moment, our staff overseas would love to show you some of those programs, whether it is in Mozambique or Cambodia or Laos or wherever, wherever we have them.

Mr. MCGOVERN. And that is part of kind of the proactive stance I am looking for so that when Members go on CODELs, they know enough to know that there are these programs, these school feeding programs for them to see because they would be very impressed, but thank you for all the great work that you are doing.

The CHAIRMAN. The gentleman yields back.

Mr. Austin Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman.

Mr. Dolcini, the USDA arbitrarily dropped the posted county price for peanuts by \$170 a ton on August 18. This pushed the price below the loan rate. That is a big deal to farm families; it is

no additional support to the producer. It counts against payment limits as a market and loan gain.

And it seems that there was no real economic justification for this dramatic reduction. And I have seen a review from the University of Georgia's National Center for Peanut Competitiveness. They see no evidence that the reason for the drop justifies the amount of the drop, and I would just like a commitment that you would, if you will, review what was done there, review the report from the National Center for Peanut Competitiveness and that we take into consideration that this is a substantial drop, and it has a substantial impact on farm families. If you read the release from the agency, it was simply to move peanuts out of storage. And shellers aren't going to shell peanuts just for the sake of shelling peanuts when they have to pay cold storage *versus* a regular storage.

And so have you received any comments on that, if you would, just kind of a general question maybe what happened there, what—

Mr. DOLCINI. I don't have a specific response for you, Congressman Scott, but I would be happy to review that report by the National Center, and I would also be happy to come up and meet with you and your staff here, along with the folks from the economic research division at the agency that work on peanut issues quite closely, and perhaps that can be a broader explanation of what the agency was doing.

Mr. AUSTIN SCOTT of Georgia. Well, I very much appreciate that, and we will work around your schedule, work to accommodate you in any way we can, and we will get that report to you as soon as possible.

Mr. DOLCINI. I appreciate that, sir.

Mr. AUSTIN SCOTT of Georgia. And, Mr. Willis, just kind of a general comment. I know that the cotton industry and cotton producers have been meeting with you about a couple of different issues with regard to STAX. They are very complimentary of you and the relationship that they have with you. I want to thank you for that and for working with them.

What kind of timeline do you expect that we will be operating under with notification of any changes for the next year?

Mr. WILLIS. I would like to also express my appreciation to the cotton producers. Throughout this farm bill, we have had significant amount of conversations with these groups simply because the changes in the farm bill were pretty dramatic. There was a lot of changes that we needed to have. Some of these programs, area-wide programs are new, new to producers and sometimes new to the Risk Management Agency. So throughout it we talked to them and tried to take their input and take it to heart.

There have been a few other issues. We have been talking about them lately, and I would anticipate very soon we will have any decisions made for the next year. Some of the requests they had were very reasonable, and we are trying to work with them to make that happen.

The reality is, we want the safety net to work for the producer that it is intended to work for, and if they have reasonable ideas, we are willing to take them under consideration. That is one reason that we implemented many of our programs in the farm bill



using kind of a pilot authority. That gives us the ability, if something doesn't work out perfect the first time, to make a few changes so that the next year it works better for the producers.

Mr. AUSTIN SCOTT of Georgia. Thank you for that. You said soon. Is that 30 days? Sixty days?

Mr. WILLIS. I don't know exactly which changes you are referencing, but I know we have had conversations on allowing them to purchase STAX on certain practices and a lower percent on other practices. That issue there, in fact, we have already resolved it, and they are pleased with the result. Without knowing exactly any other issues, I don't know the timing, but we would know very soon.

Mr. AUSTIN SCOTT of Georgia. I have about 30 seconds left, so we will get you the list.

Mr. WILLIS. Okay.

Mr. AUSTIN SCOTT of Georgia. And I certainly appreciate you working hand in hand with the industry.

Mr. Chairman, I will yield the remaining 29 seconds.

The CHAIRMAN. The gentleman yields.

And the chair will take full notice of the time yielded back.

Ms. Plaskett, 5 minutes.

Ms. PLASKETT. Thank you, Mr. Chairman, Ranking Member.

Thank you, panelists, for your time and your tireless work on behalf of farmers.

I have a question for Under Secretary Taylor. This is related to drought. This past year, the Virgin Islands was hit by a severe drought with rain levels very well below average since last October, and we had, as a result of that, we had enumerable livestock fatalities due to a lack of grazing and feed.

I was encouraged that USDA was able to provide assistance, and an official drought disaster declaration was made for the Island of St. Croix, although it didn't happen for the Islands of St. Thomas and St. John, and I understand that was due to the acreage and the amount of farmers that were on those islands. And we are pleased that help is on the way, although, of course, our farmers would like a little more assistance than just loans at this time.

One of the problems that we had in this process was that the Virgin Islands is not included in the U.S. Drought Monitor and does not have a Drought Monitor classification, which is part of your program eligibility requirements before disaster is declared. It took a great deal of special arrangements on behalf of our office and my staff to make that happen, and I want to know how this process is supposed to work and how can it be done more smoothly and why the Virgin Islands might have been kept off and what can we do to ensure that this is rectified in the future.

Ms. TAYLOR. Thank you, Congresswoman. I appreciate that question.

I will actually turn it over to Administrator Dolcini, who has worked really closely on this issue, so he can elaborate further.

Ms. PLASKETT. Okay. Thank you.

Thank you, sir.

Mr. DOLCINI. Absolutely, Congresswoman, and it has been a pleasure to work with your staff on this issue here.

As you are aware, the Drought Monitor does not cover the Virgin Islands, and so we were lacking a comparative rainfall analysis which allows us to make determinations about counties or regions that are eligible for, in this case, the Livestock Forage Program.

We were able to make a comparative rainfall analysis using data from Caguas, Puerto Rico, and in the interim, and we are hopeful that we can work with the Drought Monitor to establish a more official presence on the Virgin Islands. The data from Caguas allowed us to extend 4 months' worth of LFP payments to affected livestock operations on the Virgin Islands. We are happy to continue to work with your office to make sure that folks better understand what the process is around our disaster assistance programs.

As you know, the Virgin Islands is administered out of our Florida State office and the State Executive Director gets over to the VI from time to time. Perhaps I can take a trip down to better understand.

Ms. PLASKETT. You need to. You have an open invitation.

Mr. DOLCINI. Well, I appreciate that.

Ms. PLASKETT. As well as the Under Secretary, and come during the months of November to March. I think that will be the best time for you to come, don't you?

Mr. DOLCINI. If I can convince Deputy Taylor to sign the travel authorization, I will be happy to do that. But we are happy to work with you, and we have a good interim solution here on the—

Ms. PLASKETT. I appreciate that. And can I ask, with regard to those loans that were given to our farmers and for the loans that farmers have, we were talking about FSA monitoring their service. Are they servicing the loans? Are they able to buy/sell those loans? How does that work?

Mr. DOLCINI. No, they are not sold on the secondary market. Our direct loans are made by the Farm Service Agency and serviced by the Farm Service Agency. That constitutes the bulk of our farm loan portfolio. We do have an extensive guaranteed program where we work with commercial lenders who participate in our guaranteed program, and we guarantee up to 95 percent of the body of the loan that is made.

It is really one of the best deals that the U.S. Government offers, and our delinquency rates are very low for both programs. In the case of emergencies, we have an Emergency Loan Program that operates in a very similar way to most of our direct loan programs, and that is an option for producers impacted by natural disasters as well.

Ms. PLASKETT. Thank you. And then I had a question for Mr. Willis, and this is regarding in terms of the Risk Management Agency.

One of the things that I note as one of the essential tools for farmers in anticipating and avoiding some of the things that we talked about, drought, disaster, is insurance. And particularly in the Virgin Islands, where we have small diversified farms, we recognize that this insurance is really helpful, particularly for new farmers as they are starting up.

Can you talk about ways that RMA can help to strengthen and stabilize an island's farm economy as it is trying to build itself and grow?

Mr. WILLIS. One of the new products that we are very proud of and we think has opportunities for helping everybody all across the United States and everywhere, because of its flexibility, is the Whole Farm Protection Program. The Whole Farm Protection Program is something that in many areas where you might not have a large agriculture presence, you don't have what we need to set a rate. Well, what the whole farm does, it allows the farmer to insure everything on their farm, their whole farm. It looks at their revenue. I think that would be a program where I would love to sit down and talk to you and see what options we have to put it out there in the Virgin Island because that could probably be the most flexible safety net for those producers.

Ms. PLASKETT. Thank you so much.

And, Mr. Chairman, thank you for the time.

The CHAIRMAN. Thank you. The gentlelady yields back.

Mr. Crawford, for 5 minutes

Mr. CRAWFORD. Thank you, Mr. Chairman.

Ms. Taylor, I am concerned about the actively engaged rule. What is the status of the rulemaking process and when can we expect a final rule?

Ms. TAYLOR. Thank you for that question, Congressman. As directed by the 2014 Farm Bill, it gave us some clear direction to take a look at the actively engaged rule due to active farm management, but it also gave us some strict confines to really operate under. One was an exclusion for entities solely comprised of family members. This fall—or excuse me, this spring, we published a proposed rule. That time closed. We received just under 100 comments.

Currently we are analyzing those comments, addressing them within the final rule. As the rulemaking process is continuing, we don't have an exact timeline for when the final rule will be published, but we will certainly keep your office and the Committee apprised as we go forward, and we are certainly cognizant of keeping producers informed of whatever the new rules may be but also not changing rules midstream for producers as well.

Mr. CRAWFORD. Okay. I want to make sure that we are incorporating those concerns about the number of managers that are allowed on large or complex operations. Is that something being taken into consideration?

Ms. TAYLOR. As actually directed by the farm bill, they also put some requirements for USDA to consider the size of operations and also the complexity of certain operations. We received some comments to that effect. In the proposed rule we allowed additional farm managers, whether if the operation was large or if it was complex, and two additional if it was large and complex. We received some comments on those limits, and we are taking a look at those through the rulemaking process.

Mr. CRAWFORD. Okay. I understand that you are almost done with the implementation process for ARC and PLC with the payments for 2014 expected to go out in October. What are the lessons learned for the 2014 Farm Bill commodity program implementation and what issues do you have left on that?

Ms. TAYLOR. I think some of the lessons that we learned is these were new programs to farmers. It was a whole different way for ag-

ricultural producers to really think about a farm safety net. For the first time, they had required options they were going to have to make, as opposed to the direct payment program beforehand.

We certainly appreciated the money this Committee directed toward development of some online tool resources. We partnered with Texas A&M and the University of Illinois to develop two different online tools so producers could kind of run scenarios on what these programs may do in the future based upon different commodity scenarios.

We also worked through extension to provide education throughout the country, in counties all over the country. I think those resources were extremely valuable in educating producers on brand new programs and a whole new concept to the farm safety net.

Mr. CRAWFORD. Okay. Thank you.

Mr. Willis, on crop insurance, what steps are being taken to continue to educate farmers on crop insurance and the crop insurance providers on the provisions of the farm bill related to crop insurance as they continue to be rolled out?

Mr. WILLIS. There are quite a few things going on right now, and many of them started immediately after passage. As soon as the farm bill was passed, we started working with our partners, the crop insurance companies. We held trainings. As different parts of the farm bill were available, they worked with crop insurance agents, we talked to producers, we educated producers. We also dedicated some funds through the Risk Management Education Program. We put a priority there to educate on new farm bill programs.

The Risk Management Agency also partnered with Val's agency, the Farm Service Agency. They held hundreds of sessions all around the United States to educate on farm bill programs, and because of the close ties between title I and crop insurance, we attended many of those with them.

We also partner with some of the private developers of products, such as peanut revenue and such as margin, to help train them as well. So it is quite a few partnerships, and we have also used technology. We actually have an app out and a little calculator on our website that helps producers go in when they have some time and identify how the programs work for them and determine what the safety net is and what they want to take advantage of.

Mr. CRAWFORD. How wide-spread is Supplemental Coverage Option for crop insurance now and specifically what crops are included and what aren't?

Mr. WILLIS. It is easier to summarize. Once we make all our announcements for next year, 97.5 percent of acres within the crop insurance program will have an SCO policy available for them. The vast majority of crops that have enough data to run an area program will have SCO. The same also goes along with APH exclusion as well.

I can certainly get you the list of crops, but it is a very long list. We have a few more announcements to make as far for next year, but we are very pleased. And I want to recognize my staff. They have done a tremendous amount of work making sure SCO is available for as much as we can.

Mr. CRAWFORD. Excellent. Thank you. I would like a list of that if you wouldn't mind providing that.

And I yield back.

The CHAIRMAN. The gentleman yields back in.

Mr. Allen, for 5 minutes.

Mr. ALLEN. Yes. Thank you, Mr. Chairman, and I appreciate your time this morning.

Administrator Dolcini, the USDA—and I am talking about the actively engaged rule as far as you are currently in the final rule-making phase to implement the farm bill language that modified the actively engaged provisions. I know that the Department has received extensive feedback as far as the comments and concerns from major commodity organizations regarding the impacts of the proposed changes.

The farm bill provisions are pretty clear regarding concerns in how this proposed rule could impact farms that are largely made up of family members but we may have relatives involved not covered by the family member provision or others that serve a management function on the farm. In these circumstances, it is my understanding from the USDA proposal that all the members of the farm would then be subject to the new definition of *actively engaged*, even the family members of the farm, and I hope the final rule clarifies this issue.

Can you tell me when the Department expects to release the final rule and for what crop year it will be affected?

Mr. DOLCINI. I appreciate the opportunity to answer, Mr. Allen. The rule will apply for 2016 and subsequent years. There won't be a retroactive application of this rule. As Deputy Under Secretary Taylor has noted, we are working on the final rule now, and we received a number of comments from around the nation, including many from commodity organizations that we have incorporated into the way we are approaching this rule. We are also trying to keep closely to what the farm bill directed us to do.

And as you point out, there are exemptions for family members; there are exemptions for spouses, for others that are involved. And we really tried to focus on the large and complex—or large or complex—operations to determine how many payment limits would apply. But we are working on the rule as we speak, and we will certainly provide a good update to the Committee when that is in its appropriately final form.

Mr. ALLEN. All right. Thank you.

Administrator Willis, as far as the STAX program, I would like to commend the Department for their implementation of this, and would like to congratulate you on the implementation of the STAX income protection plan. This is a tremendously important insurance product for the cotton farmers, and I appreciate the time and effort the Risk Management Agency put into this timely implementation of this new insurance product.

It is my understanding that RMA has received several suggestions of ways to improve STAX ahead of the 2016 crop contract change dates. Some of these changes, including allowing STAX purchase levels by practice, timing of any indemnity payments triggered by STAX in areas where data is available earlier, and offer-

ing STAX everywhere cotton is growing, including written agreement counties.

It is my understanding that the cotton industry and RMA have had a very productive working relationship during the implementation of STAX, and I encourage this relationship to continue. Do you have a timeline for when these changes, if enacted, could be announced and implemented?

Mr. WILLIS. Yes, sir. I apologize the order that the three changes that you mentioned, I do recognize, I believe, the first and the third we intend to do. I don't know if they have been announced. I know we have had discussions on them. I apologize, the middle one, I have to get back to you on as far as the timing of the STAX payments. I don't know if there was a lot of flexibility there in making those earlier. Certainly we have every desire to make them as quickly as possible, but I simply don't know the answer, if that was possible.

But my understanding is that on the first and the third issue, we are moving in those directions. We believe those are reasonable ways to make STAX work better

Mr. ALLEN. All right, sir.

As far as the overall cotton situation with regard to trade and that sort of thing, what are we doing with regard to the worldwide situation on cotton as far as the market price? Any ideas about what you are working on there?

Ms. TAYLOR. Thank you for that question, Congressman. Well, first off, I will state that cotton is one of our agricultural cooperators, and so we continue to partner with them through some of our market development programs on MAP and FMD, where we are able to help promote cotton into new markets or expand into existing markets, so we are continuously looking for new cotton markets for our U.S. grown cotton.

Also, we continue to have conversations, in the larger overall WTO context on subsidies around the world and their impact on production around the world, that trade distorting subsidies from any country, not just the United States, have a market distortion impact, and so we continue to have those conversations within the context of the WTO.

Mr. ALLEN. Well, I appreciate your work on that because we are losing acres, and we need to keep this product going. Thank you.

Mr. Chairman, I yield back

The CHAIRMAN. The gentleman's time has expired.

Mr. Rouzer, 5 minutes

Mr. ROUZER. Thank you, Mr. Chairman.

And Ms. Taylor, great to see you again, as well as your colleagues and I appreciate you coming to join us here today.

I have several different questions, so I am going to try to be brief as I ask them and if we have enough time to get through a few of these.

Pork: Obviously, it is very important to the State of North Carolina. South Africa has significant potential for sales of U.S. pork, and I am just curious where we are with them in terms of opening up that market.

Ms. TAYLOR. Thank you for that question, Congressman Rouzer. Pork is also very important to Iowa as well, my home state.

Mr. ROUZER. I heard that.

Ms. TAYLOR. I certainly understand the importance that you emphasize on that. We continue to have ongoing technical discussions and political discussions with our South African colleagues. Two weeks ago, I was in Gabon for the AGOA forum where we met with South Africa again. We actually have a technical team there this week continuing those discussions on the host of SPS issues we have with South Africa. And then also we have the ongoing out-of-cycle review under AGOA as well for South Africa.

So we continue to press them at every venue we have possible on resolving our market access issues.

Mr. ROUZER. Is there anything that we can do as a Committee, or Congress as a whole, to help spur that along any? Just curious.

Ms. TAYLOR. I think the ongoing conversation that has been out there, it has been important for them to see that this is important for hosts, not just one industry, but all three, pork, beef, and poultry industries, that are being affected within the United States.

Mr. ROUZER. Second question, MAP and FMD programs, there has been some concern that perhaps all the money that is appropriated and allocated by Congress for those programs isn't always necessarily used—I wouldn't say not used properly—but perhaps used for administrative and other costs perhaps. What is the Department doing to focus in on that?

Ms. TAYLOR. First off I would just say, USDA believes MAP and FMD are critical tools to get into new markets or to expand into existing markets. The demand for these programs really continues to grow as new program participants come in, new commodities, new exports are showing interest in utilizing them. We continually look for the best options to manage the programs. We do take oftentimes a small portion for administrative fees, but also sometimes if we are not using those, we actually give them back at the end of the fiscal year like we did last year.

So we are always looking for new opportunities to expand our agricultural mixes for exports that we are doing while maintaining the best management of the program possible.

Mr. ROUZER. Mr. Karsting, the *United States International Food Assistance Report*, which is a joint product of USDA and USAID, is due April 1st of each year. Do you have any idea when we might be able to expect to see the report since it is about 5 months past due, and is FAS, have you all completed your component of that?

Mr. KARSTING. Right. Just by way of background, the *United States International Food Assistance Report* covers the three farm bill authorized international food aid programs. So that is Food for Progress, McGovern-Dole Food for Education, and P.L. 83-480 Title II, or Food for Peace, which is an USAID administered program. So what we do between FAS and USAID is we try to merge our information. We are in the process of doing that so we can present one unified report. I am hopeful that we get that to you as soon as possible.

What I can tell you today, is that that report will show that government-wide in 2014, we did about \$1.8 billion in food aid with about 35 million beneficiaries in 65 different countries. For USDA-specific programs, McGovern-Dole in 2014 totaled about 78,860 metric tons and about \$164.8 million in work with our cooperators.

We had six new grants covering 2.25 million recipients in nine different countries. On the Food for Progress side of things, that is where we send commodities and it is monetized for development in local countries, we did about 195,000 metric tons of commodities valued at \$127.5 million, 1.6 million beneficiaries in ten countries.

Bearing in mind the latter one, Food for Progress, if we are in a sequester situation, that will cut into the amount of money we can use for transportation; so we have gone from in the past about 12 annual projects under Food for Progress. Now we are down to about six per year or five. So we are trying to make those programs work as best they can and cover as many people in a responsible way as possible.

Mr. ROUZER. Thank you, Mr. Chairman. My time has expired.

The CHAIRMAN. The gentleman yields back. Mr. Abraham, for 5 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman. Under Secretary Taylor, first thank you so much for your service in the U.S. Army and your time in Iraq. It is much appreciated.

First question to you. It is my understanding that the USDA is going to commit about \$100 million to fund some biofuel infrastructure. Can you explain what authority is being used to do that?

Ms. TAYLOR. Thank you for that question, Congressman. As you mentioned, we recently announced \$100 million in matching grants where about 21 states have delivered projects to match that on an over one-on-one basis. We are using authority under the Commodity Credit Corporation charter.

What we have actually found is this will certainly boost the renewable energy economy, but it is also going to be able to bring more choices to consumers, and we have found that one out of ten cars on the road today are flex fuel. However, there is a limited infrastructure out there. So this is really giving more choice to consumers all over the country.

Mr. ABRAHAM. I am for it. We grow corn in Louisiana, too, just like you do in Iowa. But the authority is coming from the CCC?

Ms. TAYLOR. Yes, sir.

Mr. ABRAHAM. Okay. Mr. Dolcini, could you bring us up to speed on the Microloan Program. How is it being serviced? What is the average size of the loan? Are they performing well? Those types of questions.

Mr. DOLCINI. That is a great question, sir, and I appreciate the opportunity to tell you a little bit about the Microloan Program as it has been one of the real shining stars in the Farm Service Agency loan portfolio since the program rolled out in January of 2013.

We have made to date nearly 15,000 microloans from Maine to Hawaii. Most of them have been \$35,000 or less, but the 2014 Farm Bill increased the loan amount to \$50,000, so now we are able to make loans of \$50,000 or less; and we are also working on various new iterations of the Microloan Program as well. I like to think of it as 15,000 different American dream success stories because when I was the State Director in California, I saw firsthand the successes of the Microloan Program in building businesses, in adding jobs to rural economies, in allowing folks to expand their agricultural operations. And as Administrator in my travels, I have seen that all over the country, including recently in Louisiana.



So the Microloan Program has been a real success story for our agency and the farm loan folks around the country that work on microloans as well as our entire——

Mr. ABRAHAM. And they are performing well——

Mr. DOLCINI. They are performing quite well. They are not performing at any level different than our direct and guaranteed programs. In fact, in some cases the returns have been better.

Mr. ABRAHAM. Okay. Thank you. And, Mr. Karsting, tell me your hopes or predictions on the American business or agribusiness outcomes in the TPP negotiations.

Mr. KARSTING. I had a boss one time that told me if you must predict, predict often, so at least a few of them would come true. I think we are going to have an outcome in TPP that is commercially meaningful across a wide swath of American agriculture. We look at sort of what the opportunities are out there. This is a great opportunity for us to bring tariffs down, to hopefully resolve technical barriers to trade and non-tariff barriers, but also to set the rules of the road for a broader swath of the world.

The countries engaged in the TPP negotiations represent 40 percent of global GDP. And I like to remind people that the question isn't whether we have TPP and write the rules of the road or the *status quo*. If we don't do anything, somebody else is going to fill that vacuum. And that is why we think it is important for us to have a high-quality, comprehensive agreement, and that is what our negotiators are working on every day.

Mr. ABRAHAM. Do you see the same positive, hopeful outcome with T-TIP also, or is that going to be a little harder negotiation?

Mr. KARSTING. Well, T-TIP isn't quite as mature in the process, and if you want to weigh in on this, Deputy Secretary, we certainly have not been working on it as long, but there is some hopefulness that if we have a successful TPP conclusion, that that would lend momentum and urgency to T-TIP negotiations as well.

Ms. TAYLOR. Thank you for that, Phil. I would just add, Congressman, that the issues are slightly different in T-TIP——

Mr. ABRAHAM. I understand.

Ms. TAYLOR.—than what we experience in TPP——

Mr. ABRAHAM. Right.

Ms. TAYLOR.—and are trying to resolve. I talk to Europeans consistently about this, and market access, reducing tariffs, is certainly something we have to address, but without addressing our SPS issues, the non-tariff barriers, that we are experiencing with Europe, those market access reductions, those tariff reductions, are meaningless; and so we really need to see progress on both within the context of T-TIP.

With Europe we actually have a trade deficit, anywhere from \$23 to \$40+ billion in trade surplus on average from agriculture every year. We have a trade deficit almost every year with Europe because of some of these non-tariff barriers, so we are working hard to address those in the context of the negotiations.

Mr. ABRAHAM. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. Yoho, for 5 minutes.

Mr. YOH0. Thank you, Mr. Chairman. Ms. Taylor, you brought up, let's see here, that there is \$35 that we invest in research and

development, or for every dollar we put in we get \$35 return. Is that true? Did I hear that correctly?

Ms. TAYLOR. Yes, sir. This is a study done independent several years ago by our cooperator groups, and they did find that for every \$1 that the government or industry is spending in market development programs, we are seeing an additional \$35 in agricultural exports stimulated.

Mr. YOHO. Okay. And I meant to thank you for your service to our country. I appreciate it.

Mr. Willis, on the Asian fruit fly, I am sure you are well aware of it in south Florida in the Homestead area. I come from the great State of Florida, and it has been a problem down there. It is rapidly emerging. It is rapidly spreading, and right now it is contained to the Homestead area in the south. But what happens, the perimeters are 1,200 yards I believe, or 400 yards, and anything within that area has to be destroyed, or it is quarantined and then obviously destroyed.

And if it moves up to the Miami area, we are looking at about a \$2 billion impact. What are you guys doing on that, or what do you see right now? Is there crop insurance to protect any of that?

Mr. WILLIS. I think the best thing for me to do on that question, sir, is to get back to you in writing on that.

Mr. YOHO. Okay. Thank you.

Mr. Karsting, the Food for Peace program you were talking about, we all know the benefits of that. And one of the things that is real contentious, as you know, are GMOs. In your opinion, have you seen the beneficial effects of GMOs increasing production, increasing yields on these products, in your opinion?

Mr. KARSTING. Well, I grew up in Nebraska, and if you just look at what has happened to corn yields, particularly in dryland corn over the last few years, you have to be cognizant of the fact that yields have increased in a variety of different conditions.

We have examples of eggplant in Bangladesh that are grown that are Bt that reduce producers' exposure to chemicals and grow more efficiently. We have other tropical fruits. There are a lot of opportunities out there. What I try to remind people is that we are going to have 9.6 billion people on this planet by 2050, and we ought not confront that challenge with our hands tied behind our back. And by saying our, I mean globally, global community so—

Mr. YOHO. I am sure you will see us come back to hopefully engage you guys helping us market this because we all know the benefits of it, but there is that other side out there that is trying to squash this. And we just can't allow that to happen. There are too many good things that are coming out of this.

Mr. KARSTING. I would say I sit next to the Secretary on most of his meetings with international leaders, and it is a topic that he raises eloquently on a regular basis.

Mr. YOHO. Well, since we are on this topic, and we are talking about trade with TPP, we get involved with these multi-national trade agreements, and sometimes you have multiple countries saying, well, when they come together there will be multiple countries saying, no, we don't want the GMOs in here or certain insecticides. Do you think it is better to have the large multi-national trade agreements or more of the bilateral?

Mr. KARSTING. I think the more sort of uniformity and commitment we have to sound science and transparency that is recognizable from country to country, in general, the better off we are. That has been our goal in all of these negotiations is to make sure that we have trade rules that are based on science and not based on other things. And so to the extent we can do that among a broader spectrum of countries, we are better off.

Mr. YOHO. Okay. And then Mr. Dolcini, you were saying there are \$5.2 billion in loans that you give out? Is that correct?

Mr. DOLCINI. Yes, it is \$5.2 billion worth of loans, sir.

Mr. YOHO. Let me ask you because this is something that has come up in several meetings. You are obviously servicing these loans. Right? You are giving the money out, collecting the money?

Mr. DOLCINI. That is right.

Mr. YOHO. And so essentially the USDA has become a bank in a certain sector of the economy. Would it be better to move these over to the GSEs like Farm Credit Service? You guys guarantee them but let them service them so that the government is not in the banking industry? What are your thoughts on that?

Mr. DOLCINI. Well, you are right to point out that we are one of the largest ag lenders in the country, and we serve an appropriate role. Frankly, our friends and collaborators in many instances in the Farm Credit System and commercial banks work well with us, take advantage of the guaranteed program we offer. But in some cases just aren't willing to make some of the agricultural—

Mr. YOHO. But if the Federal Government guaranteed them and we got rid of the bureaucracy of collecting the money and allowed the GSEs or some other entity to do that with the government backing, I would like to have your thoughts, but I am out of time; and if we could get that in writing, I appreciate it. And I yield back.

Mr. DOLCINI. Absolutely. Thank you, sir.

The CHAIRMAN. The gentleman yields back. Mr. Thompson, for 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman. Mr. Chairman, thanks for holding this 2 day marathon hearing here. Great opportunity. Thank you so much for this first panel.

My question has to do with the ACRSI program. The report the Committee received on the accomplishments of ACRSI listed a number of key outstanding efforts that have not yet been completed. Now, we appreciate that these are complex systems and involve large amounts of data, but the report you sent to the Committee suggested that the program was, "substantially complete," in spite of only covering 30 counties in a pilot program so far.

So my question was what can you tell us about the outstanding issues for integrating systems across FSA, RMA, and the approved insurance providers, and how are they being addressed, and what kind of timeline can we anticipate for completing those?

Mr. WILLIS. I will start out and if Administrator Dolcini wants to add anything because the two agencies are working together. It was our report that you were referencing as far as substantially complete. This past summer we did do a pilot. That was only a part of what we were doing with ACRSI.

ACRSI obviously is the process of integrating what the two agencies do as far as sharing data between the two agencies. In large part it is trying to make lives for farmers easier so that they don't have to report the same data two times or more.

The first major step was the pilot last summer. We are moving forward with a significantly expanded pilot this fall, and it will continue further next spring. The amount of progress we have been making is continually increasing at a much more rapid pace, so producers this fall will see a lot of improvements even over the summer. And next summer they will continue to see more.

Mr. Scuse, Under Secretary Scuse, this is kind of in a way something that he talks about a lot because he is a farmer in Delaware, and he got tired of having to do the same report, one to his crop insurance agent and then to the Farm Service Agency. And I can tell you almost every day that I talk to him he asks how ACRSI is going. He is very intent upon seeing the success Congress envisioned when you put that language within the farm bill.

Mr. DOLCINI. Sir, I would just add that you are absolutely right to point out the complicated technical environment that we work in here. What Brandon and I have tried to do between our two agencies is do more data sharing, and we have done it both with the ACRSI program that you mentioned as well as things like conservation compliance as well, trying to break down some of the IT silos that exist between the various agencies at USDA.

So, as Brandon said, you will see more rapid movement with regard to this particular initiative, but we are doing everything on the IT front at the Department of Agriculture in a more thoughtful and strategic and incremental way. We have learned a lot of lessons about how to implement big, complicated IT projects in the last several years, and we want to make sure that ACRSI is done right.

Mr. THOMPSON. Thank you. There has been some mention from my colleagues about trade. That is obviously extremely important. It seems like trade is what kind of insulated our agriculture industry during difficult times, 2008, 2009, at the least to a degree was maintained in a robust form.

So Mr. Karsting, it would be helpful, can you describe or clarify your role as an advocate of the agriculture industry in the context of international trade? And how does your role differ from that of USTR? And how do all of you coordinate your efforts?

Mr. KARSTING. Absolutely. I am glad to answer that. We work a great deal with USTR. As you may know, USTR is designated as the lead government-wide agency on trade negotiations; but the reality is that there are thousands of tariff codes relating to agriculture. Our people are at the negotiations supporting them with analytics and data on a host of those tariff sorts of issues as well as their expertise on non-tariff barriers to trade; so we are working with them all the time. We also do joint advisory committees with USTR. These are technical advisory committees appointed by Secretary Vilsack and Ambassador Froman, and so we work hand in glove with them all the time.

For us, though, it is not just trade negotiations. We also have people at post in about 97 different countries around the globe, and they sort of serve as eyes and ears on emerging trade issues, re-

solving bilateral trade irritants where they can. So we work a lot in connection with USTR.

Mr. THOMPSON. Very good. Thanks to all of you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. Moolenaar, for 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman. I wanted to follow up on some of the discussions we have been having about TPP and T-TIP and specifically with respect to dairy. I am from Michigan, and dairy is a very important part of my district. And meeting with dairy producers in Michigan, one of the things we are concerned about is milk prices being depressed and oversupply. In fact, I guess in late August there was a report that dairies in the Northeast and Michigan dumped more than 30 million pounds of milk because of the lack of capacity to process or markets to handle it.

And so as you can understand, our producers are looking for new markets. And one of the concerns has been with respect to Canada. And I am wondering if you could comment on your thoughts on that, and also perhaps mention how you interact with the trade representative in working on these issues?

Ms. TAYLOR. Congressman, if I may take that question, I had the opportunity to be at the last formal TPP ministerial, which was a few months ago in Hawaii.

The dairy industry, we have been working very closely with the dairy industry and in a final deal that is commercially meaningful for them. Obviously, the U.S. is in a unique spot. We have offensive and defensive interests as it comes to dairy trade. But we are working very closely with them on a deal in not just Canada but also Japan, that is commercially meaningful.

I think also when you look at some of the other trading partners, there is a lot of interest there in markets like Vietnam and Malaysia which have growing middle classes. Over 40 percent in both of those countries, over 40 percent of their population is 25 years old or younger. And so as their populations age, they are going to be looking for a higher quality food, whether that is meat, dairy, fresh fruits and vegetables, things the United States really excels at producing.

And as we have looked globally at competitive agricultural production, the U.S. cost of production has come much more in line with New Zealand or Australia, so we are much more competitive globally, and our exports in dairy are reflecting that. Today, roughly 15 percent of our dairy products produced are being exported globally.

Mr. MOOLENAAR. And are you aware, did Canada make some agreements that they would open up markets to our dairy to enter into the TPP discussions?

Ms. TAYLOR. We have long said that TPP needs to be a comprehensive agreement for the United States, but for all trading partners as well. What that is meaning for Canada is some of the supply managed programs, that we are going to need meaningful access there. That is dairy, but that is also in poultry and eggs as well.

Mr. MOOLENAAR. And are there criteria that have been established that you can say, this meets our criteria in terms of opening access?

Ms. TAYLOR. The ongoing negotiations are very fluid, and so saying what that might or might not be is hard at this stage, but certainly we are looking at the whole package, so there is definitely a Canadian component here; but it is much broader than that. It is also what market access we can get into Japan and some of the other countries I mentioned like Vietnam and Malaysia.

But certainly are happy to keep the Committee apprised as the negotiations continue and near finalized agreement and what that dairy package actually looks like.

Mr. MOOLENAAR. Yes. I guess one of the things that strikes me, and again I wasn't involved in the early stages of this, but my understanding was is that Canada, in order to become part of the TPP process, agreed to opening up their market to U.S. dairy products, and that was kind of a condition for them to be part of it. And I guess what I am wondering is, are there certain criteria that we are going to use to evaluate whether that has been met?

Ms. TAYLOR. Congressman, from our perspective, Canada is going to need to offer commercially meaningful access into their dairy market. But what that criteria looks like, for the U.S. Government, but also our dairy industry, is looking at this a little more holistically for the entire agreement. And so what the exact Canadian criteria are, are very fluid because it is the overall trade picture through the 11 other TPP parties that we are negotiating with.

Mr. MOOLENAAR. Is there a definition of *commercially meaningful*?

Ms. TAYLOR. Not in this context. I don't know if that is necessarily exactly defined, but certainly something worth value to our producers in an economic way to our dairy processors in an economic way.

Mr. MOOLENAAR. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Gibson, for 5 minutes.

Mr. GIBSON. Thank you, Mr. Chairman. I want to commend you and the Ranking Member for setting up these hearings. I appreciate the opportunity for oversight.

I apologize to everyone, including the panel, that I am just getting here and getting situation aware, but I do have a question. It actually follows up on Mr. Moolenaar.

Given where we are and where dairy has been, say, 24 months ago when that percentage was a little higher—it was about 17 percent, maybe 18 percent at the highest—but also given the fact that production is up, I am just very interested to know raw numbers, if you will, the poundage in terms of how much now is being exported, controlling for the overproduction. So I am curious on that.

Ms. TAYLOR. Congressman, I don't have those exact poundage numbers with us, but we will certainly be happy to follow-up with your office with the numbers after the hearing.

Mr. GIBSON. Well, thanks on that. Because, as I circulated in August, among the things I heard from my dairy producers, what

came up, Russia came up in terms of some reactions that we took in relation to the ongoing international affairs, Russia, the aggressive action they took last year.

Our dairy producers are of the mind that our actions have hurt them. And I am just curious your reaction to that?

Ms. TAYLOR. Thank you for that question, Congressman. This is getting back to Administrator Karsting's point a little earlier about our presence all over the world. We have employees, the Foreign Agricultural Service has employees in roughly 96 countries, but they touched well over 150 countries through regional coverage as well; and they are our eyes and ears.

While the Russia situation is ongoing, we are continually working to open markets all over the world within the context of TPP and T-TIP but also just bilaterally and working through a host of market access issues that arise every day. Whether it is facility registration for dairy products or things of that nature, we continue to work on a bilateral basis and a case-by-case basis; and our footprint on the ground really allows us to react quickly to ensure markets stay open.

Mr. GIBSON. I appreciate that, and I look forward to getting that figure whenever it is available. And I look forward to continuing to participate in this as it unfolds, but that is all I have for now, Mr. Chairman. Thank you.

The CHAIRMAN. The gentleman yields back. The Ranking Member has another 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman. Mr. Willis, this provision that was in the farm bill about the catastrophic insurance or whatever it was for poultry. It probably wasn't put in there for that reason, but you are doing a study on that or something? Are you getting close to having that done? When is that coming out?

Mr. WILLIS. Yes. The study you are referencing should be available later this fall.

Mr. PETERSON. Later this month?

Mr. WILLIS. Later this fall.

Mr. PETERSON. So that would be what, November?

Mr. WILLIS. Probably around then, yes, sir.

Mr. PETERSON. Did you farm that out to somebody or?

Mr. WILLIS. We did. We contracted for that study, yes.

Mr. PETERSON. Have you had any discussions with the industry about some work they have been doing with the reinsurers in terms of whether they would be interested in doing a business interruption insurance kind of a thing? Are you aware of that at all?

Mr. WILLIS. I don't believe that I have had any conversations. I don't know if others have. There is also, in addition to the catastrophic study, there is a business interruption study that is also underway. We expect that early next year.

Mr. PETERSON. Yes, but that was a different situation. That had to do with the bankruptcy of some processor or something and some producers being put at risk because their processor was bankrupt. Is that—

Mr. WILLIS. My understanding is yes. The two studies are different. The catastrophic will be available fall. The business inter-

ruption will be next spring, and it covers the issues such as what you referenced.

Mr. PETERSON. That will be in the spring?

Mr. WILLIS. Yes, sir.

Mr. PETERSON. And that was also farmed out to somebody, some university or something?

Mr. WILLIS. I believe a private contractor. There were numerous different studies requested, often looking at the feasibility of crop insurance on a sector of agriculture that previously hadn't had crop insurance coverage.

Oftentimes to expedite implementation of the farm bill, we would offer these out as contracts to individuals who were experts in crop insurance, and they oftentimes write those. That allows us to focus a lot of our attention on implementation of the provisions that directly impact the farmers and not take resources away from that.

Mr. PETERSON. Well, I just had a meeting with some of the poultry folks. If it is okay, we need to get together next week. I need to talk to you about some of the discussions that I have been having with them and get your input on that. If you would be up for that.

Mr. WILLIS. I would welcome that opportunity.

Mr. PETERSON. Thank you. Mr. Ashford, you had a question. I would yield to you.

Mr. ASHFORD. Yes, I just had one follow-up. The question that we get, I get in Nebraska about the difference between TPP and T-TIP has to do with mainly the non-tariff-related issues. And would you mind going just in a general sense, explaining how you see those differences? I understand them generally, but if you could just kind of explain how you see the differences and the challenges between the two negotiations?

We understand the tariff-reduction issue and eliminating tariffs in TPP; but what about the other, the non-tariff-related?

Ms. TAYLOR. Certainly, Congressman. Thank you for that question. I will talk a little bit about T-TIP specifically. I think the issues, the negotiations themselves are very different. In T-TIP you have two very mature economies, developed economies, where we already are doing a lot of trade. The EU is already our fifth leading trading partner, and that is with oftentimes high tariffs on agricultural products and a host of non-tariff barriers or SPS barriers that is preventing trade.

Really what we are having conversations on during the T-TIP negotiations are about real predictability in the regulatory process with the EU. What we see oftentimes with the EU is they have a scientific process that works quite well. It is called the ESF Committee. And they go through their scientific review. They find similar to what our scientists find in our regulatory processes, whether it is on certain pathogen reduction treatments or washes for meats and poultry or through certain approval of events in biotechnology.

But then they have this political layer, and oftentimes then that is when it gets stuck. We don't know the path forward. We don't know how long that path forward can take. So what we are trying to do is build a process around the negotiations that will bring certainty that once the science is done, we don't get stuck at that political layer.



Mr. ASHFORD. That is not so much the case in TPP? It is less so.

Ms. TAYLOR. In TPP, many of our trading partners are working through, they are setting up their food safety systems or revising the regulations that we see today. Vietnam recently did a complete overhaul of their food safety system and food safety laws and regulations. We actually had, through some of our technical exchanges, helped them in that process. So in TPP, we worked a lot about recognizing international science-based standards, a rules-based process, having good regulations on the books. The same rules-based, science-based principles apply in TPP, just in a slightly different way.

Mr. ASHFORD. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. Benishek, did you want 5 minutes on this panel?

Mr. BENISHEK. No, thank you. I am just getting up to speed.

The CHAIRMAN. Well, I want to thank, Ms. Taylor, thank you and the others for coming.

As a transitional issue, our panelists have agreed graciously—thank you—to go down to 1306, for Members to go down and have a quick word if you want to while we are getting the next panel in. So to facilitate that, Ms. Taylor, you and your team, if you wouldn't mind going to 1306, and our Members will swing by there and talk to you if they want to.

Thank you so very, very much, and we will stand in recess for a couple minutes while we reset, about 10 minutes, and we crank back up. Thanks everybody.

[Recess.]

The CHAIRMAN. All right. Good afternoon. We will welcome our second panel to the podium. I passed you guys in the hall. I wasn't trying to be rude, so we will have a chance to visit with you and transition to the next panel here in a minute.

With us next we have the Honorable Robert Bonnie, Under Secretary of Natural Resources and Environment at the USDA. And accompanying him will be Jason Weller, who is Chief of the Natural Resources Conservation Service, and Ms. Mary Wagner who is the Associate Chief at the Forest Service.

So, thank you for being here this afternoon. We appreciate it. Mr. Bonnie, the floor is yours.

**STATEMENT OF HON. ROBERT BONNIE, UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY JASON WELLER, CHIEF, NATURAL RESOURCES CONSERVATION SERVICE, USDA; AND MARY WAGNER, ASSOCIATE CHIEF, U.S. FOREST SERVICE, USDA**

Mr. BONNIE. Mr. Chairman, Ranking Member, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to discuss the work of the Natural Resources Conservation Service and the Forest Service. This Committee deserves a great deal of credit for the 2014 Farm Bill, and I will focus much of my remarks on implementation of that law.

In addition, given the seriousness of this year's fire season, I also want to discuss forest restoration and the impact of wildland fire on our budget. Implementation of the 2014 Farm Bill is a top pri-

ority for USDA. With respect to NRCS programs, the agency is demonstrating that voluntary conservation, backed by strong science and done in concert with a variety of partners, can solve critical natural resource challenges for America's farmers, ranchers, and forestland owners.

The agency has completed interim final rules for the Environmental Quality Incentives Program, the Conservation Stewardship Program, the new Agricultural Conservation Easement Program. NRCS has placed a particular priority on implementation of the new Regional Conservation Partnership Program. This new program has spurred new partnerships among producers, businesses, conservation groups, states, and others. In February, NRCS provided over \$370 million in RCPP funding to 115 projects, an investment that matched more than dollar for dollar. In May NRCS, announced a second funding availability, 265 pre-proposals were submitted. Interest in RCPP is very high.

Beyond this program, NRCS is spearheading a series of initiatives to address drought, water quality, wildlife habitat, and other issues. For example, our Mississippi River Basin Initiative is significantly increasing the adoption of critical water quality conservation practices. We are working with California farmers and ranchers to make their operations more resilient to drought. And NRCS is demonstrating through its Working Lands for Wildlife Program that farmers, ranchers, and forest landowners can voluntarily restore habitat for rare species so that they no longer need the protection of the Endangered Species Act.

Let me now turn to the Forest Service. Increasing the pace and scale of forest restoration and management across our National Forests remains the top priority for the agency. The agency continues to invest in collaborative landscape-scale projects and has increased acres treated over the last several years. Timber sales have increased by 18 percent since 2008.

The Forest Service has moved quickly to implement several provisions of the 2014 Farm Bill. Last year Secretary Vilsack designated over 46 million acres of National Forest System lands under the new insect and disease provisions of the farm bill. Twenty projects are moving forward, and 16 of those use categorical exclusions under NEPA. Working with states, the Forest Service has developed templates for use of the Good Neighbor Authority, and we have entered into agreements so far with Pennsylvania, Utah, and Wisconsin.

Through our Joint Chiefs Landscape Restoration Partnership, NRCS and Forest Service are working together to restore forests on private lands adjacent to National Forests using farm bill dollars.

Our biggest obstacle to increasing forest restoration and management is the wildfire budget. Longer fire seasons, increased fuel loads, and development into our wildlands are all significantly increasing the costs of fire fighting. In most years, the Forest Service is forced to transfer funds from nonfire programs to fund fire-fighting. This year we will transfer an estimated \$700 million, but there is a long-term problem that goes well beyond these annual transfers. Fire programs now consume over 50 percent of the agency's budget, up from 16 percent just 2 decades ago. As a result, the agency has 39 percent fewer employees working on nonfire pro-

grams. All agency activities are suffering, including recreation, research, range management, and, yes, forest restoration.

The current budget system is cannibalizing the very programs that can help us reduce the threat of fire. To solve the fire budget problem, we must solve both issues, both fire transfers and the long-term shift of resources away from nonfire programs.

The Wildfire Disaster Funding Act supported by several Members of this Committee would make significant in-roads. It is time that we treat fire as the natural disaster that it is and adopt an approach which will allow the agency to invest in restoration activities that will over time save lives, property, natural resources, and money. Thank you.

[The prepared statement of Mr. Bonnie follows:]

PREPARED STATEMENT OF HON. ROBERT BONNIE, UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Ranking Member, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to discuss the role of the Natural Resources Conservation Service (NRCS) and the Forest Service at the U.S. Department of Agriculture. My testimony today will focus on farm bill implementation; wildfire response; and strengthening rural communities through voluntary conservation, resilient landscapes and recreational opportunities.

#### **Farm Bill Implementation**

Implementation of the 2014 Farm Bill has been and will continue to be a priority across USDA. The new farm bill delivered a strong conservation title that makes robust investments to conserve and support America's working lands and consolidates and streamlines programs to improve efficiency and encourage participation. For the Forest Service, the farm bill expanded current authorities and provided several new authorities including Good Neighbor Agreements, expanded insect and disease designations under the Healthy Forest Restoration Act, and permanently reauthorized stewardship contracting. NRCS is focusing on implementation of the Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), Agricultural Conservation Easement Program (ACEP), Regional Conservation Partnership Program (RCPP), and Voluntary Public Access and Habitat Incentive Program (VPA-HIP).

#### *Expanded Insect and Disease Designations*

The 2014 Farm Bill added authority to the Healthy Forest Restoration Act to authorize designation of insect and disease treatment areas and provide a categorical exclusion (CE) for insect and disease projects on areas as large as 3,000 acres. The Forest Service received letters from 36 states requesting designations under the insect and disease provisions and in response the Forest Service Chief designated approximately 46.7 million acres of National Forest System lands. Currently, 20 projects have been proposed under the provision; the Forest Service intends to use the CE for 16 of the projects and streamlined Environmental Assessments for the remaining four. The initial 16 projects will help the agency and its partners better understand and implement the new CE authority while additional projects are proposed, planned, and authorized. The Forest Service expects that planning and implementation of projects within designated areas will expand in FY 2015 and beyond.

#### *Good Neighbor Agreement Authority*

The Forest Service completed the requirements under the Paperwork Reduction Act to approve the new Good Neighbor Agreement templates that will be used to carry out projects with the states. The Forest Service worked closely with the states to collaboratively develop the new templates, which were approved by the Office of Management and Budget on June 24, 2015. Since then, the agency has entered into agreements with Pennsylvania, Utah, and Wisconsin to carry out forest, rangeland and watershed health activities on the national forests in those states.

### *Stewardship Contracting*

The farm bill also provided permanent authority for stewardship contracting. Traditional timber sale contracts will continue to be a vital tool for the Forest Service in accomplishing management of the National Forests. At the same time, stewardship contracting is helping the Forest Service achieve land and natural resource management goals by funding forest health and restoration projects, stream restoration, hazardous fuel removal, and recreation improvements. In many areas, stewardship contracting will allow the agency to build larger projects, treating more acres, with broader public support. Since 2008, acres treated through stewardship contracts and agreements have nearly tripled.

### *Conservation Stewardship Program*

Since CSP started in 2009, the program has become a major force for agricultural conservation, and it continues to inspire action to enhance America's natural resources. All private or Tribal agricultural land and non-industrial private forestland is eligible, unless it is enrolled in the Conservation Reserve Program (CRP), ACEP—Wetlands Reserve Easements, or the Conservation Security Program. In FY 2014, NRCS enrolled about 9.6 million acres and now CSP enrollment exceeds 60 million acres, about the size of Iowa and Indiana combined.

The CSP Interim Rule was published in November 2014, reflecting statutory changes to the acreage enrollment cap, stewardship levels, contract modifications, and CRP and certain easement land eligibility. NRCS received nearly 500 individual comments; most related to small operations having access to the program, minimum payments, contract rates, and stewardship thresholds. We expect to publish the final rule this fall.

### *Environmental Quality Incentives Program*

Through EQIP, producers addressed their conservation needs on over 11 million acres in FY 2014. EQIP provides financial and technical assistance to agricultural producers to help plan and implement conservation practices that address natural resource concerns. Conservation practices are designed to improve soil, water, plant, animal, air and related resources on Tribal land, agricultural land, and non-industrial private forestland. In FY 2014, over \$928 million was obligated in nearly 40,000 contracts to support this conservation work. EQIP has been instrumental in helping communities respond to drought as well, allocating \$20million in 2015 for drought across the West.

The EQIP Interim Rule was published in December 2014, reflecting statutory changes to incorporate the purposes of the former Wildlife Habitat Incentive Program and address the payment limitation and waiver authority, advance payments for historically under-served producers, and preferences to certain veteran farmers and ranchers. NRCS received over 330 individual comments; most related to the irrigation history, confined animal feeding operations, EQIP plan of operations, program administration, payment rates and limitations, application selection, and funding levels for wildlife practices. The final rule is targeted for publication in Fall 2015.

### *Conservation Innovation Grants*

Conservation Innovation Grants (CIG) are a component of the EQIP. They stimulate the development and adoption of innovative conservation approaches and technologies, while leveraging the Federal investment in environmental enhancement and protection in conjunction with agricultural production. CIG is used to apply or demonstrate previously proven technology in order to increase adoption with an emphasis on opportunities to scale proven, emerging conservation strategies. CIG funds projects targeting innovative on-the-ground conservation, including pilot projects and field demonstrations. In September 2014, NRCS awarded \$15.7 million in CIG to 47 organizations that will help to accelerate innovation in private lands conservation. The FY 2015 Funding Announcement was released in January 2015 offering up to \$20 million. Project selection is targeted for early Fall 2015.

### *Agricultural Conservation Easement Program*

Landowners participating in the Agricultural Conservation Easement Program (ACEP) enrolled an estimated 143,833 acres of farmland, grasslands, and wetlands through 485 new ACEP easements (88,892 acres in Agricultural Land Easements, and 54,941 acres in Wetland Reserve Easements) with the \$328 million in FY 2014 funding. In FY 2015, \$332 million is available in ACEP for the purchase of conservation easements to provide long-term protection of agricultural and wetland resources.

The ACEP Interim Rule was published in February 2015, reflecting statutory changes to consolidate the purposes of Farm and Ranch Lands Protection Program,

Grassland Reserve Program (easement component only), and Wetlands Reserve Program and address the certification process for ACEP—Agricultural Land Easements; authority to subordinate, modify, or terminate an easement; grasslands of special environmental significance; and the agricultural land easement plan. NRCS is currently evaluating public comments and developing recommendations for the final rule. We expect to publish the final rule this winter.

#### *Regional Conservation Partnership Program*

The RCPP created a new platform for engaging partners and leveraging the Federal conservation investment. RCPP promotes coordination between NRCS and partners to deliver conservation assistance to producers and landowners. NRCS provides assistance to producers through partnership agreements and through program contracts or easement agreements. The first RCPP announcement of over \$370 million in program funding was rolled out on May 27, 2014. Following a rigorous two-stage competitive process, 115 high-impact projects across all 50 states and the Commonwealth of Puerto Rico were selected in January 2015. Of those projects, \$84 million is being used to fund high-impact conservation projects focused on water quantity and other drought-related resource concerns. The funded projects support many activities, from helping farmers improve their resilience to drought to protecting drinking water supplies. Partners brought forward an estimated \$400 million in their own contributions for a total investment of nearly \$800 million that will go to improve the nation's water quality and supply, support wildlife habitat and enhance agricultural production and the environment. The FY 2016 funding announcement was released in May 2015, making available up to \$235 million for new agreements. This round of RCPP will have an even greater emphasis on partnerships, leveraging, and diversity to achieve innovative solutions to locally identified issues. Selected pre-proposal applicants were notified on September 4th if their project was invited back for full proposal submission.

#### *Voluntary Public Access and Habitat Incentives Program*

The VPA-HIP assists states and Tribes to increase public access to private lands for wildlife-dependent recreation, such as hunting, fishing and hiking. In FY 2014, NRCS made \$20 million available for VPA-HIP awards and was able to fund ten of the 30 proposals received. In February 2015, NRCS announced the availability of another \$20 million for VPA-HIP projects. Project selections were announced on August 17 and funding was used to award grants to projects in 15 states.

#### *Mitigation Banking Program*

The Mitigation Banking program provision will be implemented directly through an announcement of program funding. The implementation approach is being finalized with an expected announcement in early Fall 2015.

In addition to the major rule changes discussed above, minor statutory changes to Technical Service Providers; State Technical Committees; Healthy Forests Reserve Program; Small Watershed Program; Regional Equity; VPA-HIP, and Agricultural Management Assistance were published in a consolidated Interim Final Rule in August 2014. The few public comments received were addressed in the final rule published in April 2015.

#### **Managing Wildland Fires**

Increasingly severe fire seasons are one of the greatest challenges facing the nation's forests. Already this fire season, we have spent weeks at National Preparedness Level 5—the highest level—meaning all available ground and air assets are committed to priority work. Severe drought across the west has increased fire severity in several states. Washington State, among others, has recorded a record season of severe wildfires. Drought-ridden California has also experienced tremendous fire activity. The Forest Service, in coordination with our fire response partners, mobilized thousands of firefighters along with numerous airtankers, helicopters, fire engines and other assets through our integrated, interagency suppression efforts. Every state and Puerto Rico, along with the military and international support, has provided people and equipment this season to respond to the severe fire activity. The Forest Service will continue to collaborate with its Federal, state, local, and Tribal governments, partners, and stakeholders on the implementation of the National Cohesive Wildland Fire Management Strategy.

The Forest Service has one of the most effective fire organizations in the world and continues to keep almost 98 percent of the wildfires we fight very small. However, the few fires that do escape initial response tend to grow much larger far more

quickly than ever before. As documented in a recently released report,<sup>1</sup> the cost of fire suppression has soared in the past 20 years and is having a debilitating impact on the Forest Service budget and non-suppression activities of the Forest Service.

In 1995, fire made up 16 percent of the Forest Service's annual appropriated budget—this year, for the first time ever, more than 50 percent of the budget will be dedicated to fire. Along with this shift in resources, there has been a corresponding shift in staff, with a 39 percent reduction in all non-fire personnel. Left unchecked, the share of the budget devoted to fire in 2025 could exceed 67 percent.

#### *Restoring Fire-Adapted Ecosystems*

Fire plays a beneficial role in maintaining the ecological stability of many landscapes, and the Forest Service is working with partners to restore healthy, resilient, fire-adapted ecosystems. Our goal, especially near homes and communities, is to prepare forests and grasslands to resist stresses such as drought and recover from disturbances, including wildfires. Our large-scale restoration projects are designed in part to restore fire-adapted forest types across large landscapes, including the re-introduction of periodic wildland fire where safe and effective.

Developing new markets for the low-value woody materials we remove during restoration and hazardous fuels treatments will help offset the costs of these activities while providing new revenue streams for private landowners and remains a top priority for the Forest Service. We will continue to provide grants and other forms of assistance for wood-to-energy initiatives, and to help projects compete for other sources of funding. We will also provide technical assistance to help facilities that convert wood to energy become or remain financially viable.

#### **Strengthening Rural Communities through Voluntary Conservation, Resilient Landscapes and Recreational Opportunities**

Our National Forest System presents a range of recreational opportunities to connect people with nature in an unmatched variety of settings and through a plethora of activities. Spending by visitors engaging in recreation activities, including skiing, hiking, hunting, and fishing, supports more jobs and economic output than any other activities on the National Forest System. In 2012, outdoor recreation on the National Forest System supported around 190,000 jobs and contributed about \$13 billion to the nation's gross domestic product.

Through work on the 193 million acres of National Forest System lands, the timber and forest products industries, livestock producers, and minerals/energy production collectively support about 118,000 jobs. Each year, these industries contribute about \$11.5 billion to America's gross domestic product. In rural areas in particular, these uses deliver sustained social and economic benefits to communities.

The Forest Service works to build thriving communities across the nation by providing communities with the many economic benefits that result from sustainable multiple-use management of the National Forests and Grasslands, helping urban communities reconnect with the outdoors, and expanding the benefits that both rural and urban residents get from outdoor recreation. Jobs and economic benefits stem from our administration of the National Forest System, including its multiple uses, as well as from investments in the activities, access, and infrastructure needed to deliver essential public services such as clean water, electrical power, and outdoor recreational experiences.

The right conservation practices put in the right places are an effective means to achieve cleaner more abundant water for farmers, ranchers, communities, and wildlife. Using farm bill programs through the Mississippi River Basin Initiative (MRBI), NRCS has invested significantly in high-priority water quality projects in the Basin delivering on the ground benefits. For example, as a result of MRBI conservation efforts, Arkansas was able to remove two stream segments from the State's Clean Water Act 303(d) impairment designation. Working with partners and using farm bill tools, farmers, ranchers and other landowners have helped remove nine more streams from Oklahoma's 303(d) list of impaired streams in 2014. Oklahoma ranks second in the nation for Environmental Protection Agency-recognized water quality success stories. In the region overlying the Ogallala Aquifer in the Central Plains, farm bill programs have allowed NRCS to partner with farmers to install water conservation practices that conserved an estimated 1.5 million acre feet of groundwater over 4 years, or enough water to provide annual water needs for about 3.3 million households.

If the widespread drought has shown us anything, it is the value of crop resilience through good soil health management systems. Using farm bill programs, NRCS has been accelerating adoption of soil health practices and helping producers build resil-

<sup>1</sup><http://www.fs.fed.us/about-agency/budget-performance/cost-fire-operations>.

ience in their production systems. Soil health management systems help increase organic matter, reduce soil compaction, improve nutrient storage and cycle and increase water infiltration and water availability to plants. These benefits lead to greater resiliency to adverse conditions but also boost yields. For example, a national survey of farmers documented an increase in yields of nine percent for corn following cover crops and ten percent for soybeans after cover crops.

The StrikeForce for Rural Growth and Opportunity initiative targets farm bill programs in persistent poverty communities to assist farmers and ranchers in achieving economic and environmental objectives. Since 2010, NRCS and other USDA agencies have focused assistance and outreach in over 880 counties, parishes, boroughs, and Census areas, and in Indian reservations in 22 states. In FY 2014 alone, NRCS invested \$286 million in partnership with producers in high-poverty communities to help their operations be more economically successful and environmentally sustainable. For example, NRCS in partnership with Tuskegee University has invested about \$1 million to help nearly 40 producers in Alabama StrikeForce counties to incorporate innovative practices on their farming operations, including retro-fits for current irrigation systems, new wells, solar powered wells, and drip irrigation systems that will make their operations more productive and sustainable.

### Conclusion

We are now facing some of the greatest ecological challenges in our history: invasive species, climate change effects, regional drought and watershed degradation, fuel buildups and severe wildfires, habitat fragmentation and loss of open space, and devastating outbreaks of insects and disease. In response, we are working with our public and private partners to increase the pace and scale of ecological restoration and promote voluntary conservation that is creating healthy, resilient landscapes capable of sustaining and delivering clean air and water, habitat for wildlife, opportunities for outdoor recreation, and providing food and fiber for the world. The Forest Service and NRCS provide the programs and services that help strengthen agriculture, the environment, and rural economies.

The CHAIRMAN. Thank you, Mr. Bonnie.

I recognize myself for 5 minutes.

Mr. Weller, could you talk to us a little bit about the mandate—*mandate* is one word—but our farmers and ranchers are constantly facing more and more regulations, and they all want to take care of the land. They all want to be good stewards of the land. Can you talk to us about your efforts trying to look at EQIP and RCPP programs in terms of trying to streamline those regulations and helping our producers and landowners who voluntarily want to comply, but we just keep layering on more regulations.

Can you talk to us about your efforts in helping those folks to weave that complicated system we have put in place?

Mr. WELLER. Yes, certainly, sir. So this Committee has afforded NRCS great tools. You talked about a few of them, the Environmental Quality Incentives Program, the new Regional Conservation Partnership Program, the basic authorities we have in our Soil Domestic Allotment Act go out and do conservation planning.

And so there are examples now around the country, Under Secretary Bonnie referenced one of these a little bit, the sage-grouse work we are doing out West. It is not just out West. It is out in the Northeast. This last week we had a celebration in New Hampshire celebrating yet another species that through a collaborative voluntarily approach, landowners have helped head off the paths of potential listing in this case the New England cottontail rabbit. In the last 13 months alone, if you go around the country, starting last August in Montana, with the Arctic fluvial grayling, the Oregon chub in Oregon, the Louisiana black bear in Louisiana, the bi-state population of sage-grouse in the border between California and Nevada, the New England cottontail rabbit. The list goes on and on, and those are all the species either taken off the list or pre-

vented from getting on the endangered species list because of the proactive actions of farmers and ranchers and forest landowners, and in large part assisted through the programs and authorities this Committee provides in NRCS.

Beyond ESA is the Clean Air Act in California. So under the Clean Air Act, in the San Joaquin Valley, one of the most heavily regulated air sheds in the world, agriculture is a regulated sector, and they were under a requirement to reduce the amount of nitrous oxide emissions, NO<sub>x</sub> emissions, and so they had to reduce emissions by 10 tons per day by the year 2017. Well, agriculture, through the help of the programs again this Committee provides our agency met that goal 3 years ahead of schedule.

And so through the EQIP program that this Committee has afforded us, we have invested over \$120 million with voluntary actions in the San Joaquin Valley. And through the upgrading of diesel engines and retiring old tractors and off-road vehicles from operations, this Committee in the investment through EQIP has removed the equivalent of one million cars off the roads of California's highways every year, in effect reducing 7 tons of NO<sub>x</sub> emissions per day, meeting the requirements 3 years ahead of schedule.

So there are lots of examples around the country. Water quality in Arkansas, again is another example. Through EQIP assistance and conservation planning by targeting action working voluntarily with poultry producers in northwestern Arkansas, we have helped de-list two stream segments on the St. Francis River because of nutrient impairments, and those waters are now back to a fishable, swimmable condition because of the voluntary actions of farmers and ranchers.

The CHAIRMAN. That is great information. Ms. Wagner, I try not to ask a question I don't already know the answer to. We have Forest Service lands and we have National Parks which have a great deal of forests on them. Can you walk us through how those two are managed. Are they managed the same? And if they are not, do you guys talk to each other; your best practices, do they share those? I mean, how do you guys co-exist among the trees?

Ms. WAGNER. The National Park Service is a Bureau within the Department of the Interior, and U.S. Forest Service, of course, is within the Department of Agriculture. We share many boundaries with the National Park Service. I can think of the Olympic National Forest as a good example on the Olympic Peninsula, which is surrounded by the Olympic National Forest. So the park and the forest are inextricably connected and connected with the communities that we serve, both on the forest and in the National Park. So we do a lot of collaborative work together.

We coordinate well together. We share resources. We have authority from Congress called Service First which allows us to provide seamless visitor services so when people come into an office, they will be greeted by somebody and get information on both the National Park and the Forest Service.

Our goals are a little bit different. The Park Service is focused on preservation and conservation. They interpret for visitors the scenic, cultural, historic values of a National Park. The National Forests are guided by the principles of multiple use management and sustained yield. So we like to think of the National Forests as



working landscapes, as places where people not only get the benefits that accrue from having public lands called National Forests, but also they see them as working to provide things like wood fiber, livestock grazing, minerals development, energy development.

The CHAIRMAN. In terms of specifics, though, there is no real difference between a healthy forest on National Forest land and a healthy forest on a National Park. I understand the difference in what the Park Service is doing, but do they manage their forests to a healthy level the way you do?

Ms. WAGNER. In the National Park Service they have a much more limited footprint in terms of active management of forests, though they do some hazardous fuels treatment and do manage forests to some degree by use of prescribed fire and natural fire in their parks. We tend to take a little bit more of a working stance on National Forests where we have timber sale contracts, stewardship contracts, as tools to help create resiliency in those forests.

The CHAIRMAN. Thank you. Mr. Peterson, for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Weller, as you are aware, the interest in my district of this small watershed program and the implementation, I don't know exactly what is going on, but I am getting the feedback from my district that things are not going as smoothly as people think they should.

I don't know what you are hearing about it or whether this is an issue of not having enough staffing or just what is going on. It was initially moving pretty good, but now reports are that it is kind of bogged down. Have you gotten any feedback?

Mr. WELLER. Some feedback. There are a couple things happening. As you know, 20 years ago, 30 years ago, we had a much more robust watershed operations program. We had a lot more capacity. In our states we had engineering teams, whether it is Minnesota or throughout the country, where they really were experts at designing, building, constructing. In the end, ultimate zeroing out of the program, a lot of that capacity now is no longer—within each state, so now a lot of the capacity we have is a National Water Management Center.

So while we still have in some states some residual capacity, particularly focused on a rehabilitation program this Committee has funded and we have had some success with over the last few years. With respect to the project in Red River and partnering with the authority, what I have been told there is that in Minnesota, there were 14 separate agreements or projects that are ongoing. And in North Dakota there are about six that are overall working as a system with the whole authority's plan to address the funding concerns.

So out of those, what I have been told is that 13 out of the 14 agreements, these are with the cooperative agreements that actually start the work, are now with the partners for signature and review. Five of the six in North Dakota again are with the relevant partners for their signature and review. We hope within the next 30 to 60 days they will all be signed and be able to roll at that point. In the end it just comes back to where I started with that is the capacity.

And so the authority and the partners there really should be commended with having everything ready to roll, and there is a lot of positive energy and they want to get a lot done. As to what you are sensing is a little bit on our end it is a bandwidth issue, and that is why we are having to bring in people from the national level and the National Water Management Center, as well as from national headquarters here, our national engineering team, to help support the folks in Minnesota and North Dakota to make sure we don't have choke points where we don't get in the way of the partners who want to proceed.

Mr. PETERSON. So you think 30 to 60 days we will have—

Mr. WELLER. We will have all the agreements signed, sewn up.

Mr. PETERSON. I appreciate the initiatives to improve foraging habitat for pollinators and especially this focus on honey bees. However, many of these plans apparently require the use of native plants only. In fact, I have had some personal experience with trying to plant some pollinator habitat. By doing that the feedstocks are hugely expensive, and they are very hard to get established. I have seen a number of these where they have attempted and the flowering stuff in a lot of cases doesn't survive.

So I guess why aren't we more focused on using non-native plants like clovers and alfalfa and vetch and sunflowers where the seeds are a lot more available, a lot less expensive. It is a lot more easy to establish. Why aren't we more focused on that, and why are we kind of hung up on all this native idea?

Mr. WELLER. So at the national level, we do not prescribe a mandate to use native, and we don't prescribe the cocktails of the seed-ing mixtures. That is something we really allow our states because they are the closest to our customers and the closest to what is needed.

Mr. PETERSON. I get the impression from the state that they are being told by you guys.

Mr. WELLER. That is something we need to follow up with Minnesota on. There have been some recent discussions on this, and I have asked our National Plant Material Center folks and our ecologists who are working on this, and what they have advised me on is that while natives are sometimes preferable, there is not a mandate to use natives. And a lot of times non-natives, to your point, alfalfa and clover, sunflowers, other species, are less costly, provide very good forage habitat, and are more appropriate.

That is where then we really want to provide the flexibility for the local conservation planner to work with the producer to really figure out what is the right cost and performance they want.

Mr. PETERSON. But if you are going to plant pollinator habitat, you are not going to be allowed to plant these non-natives. You are going to have to plant this mixture that they have under the NRCS CSP program and so forth. That is coming from the Federal, right, or from the top?

Mr. WELLER. So we have enhancements, yes, under Conservation Stewardship Program. But if they are specific enhancements focused on whether it is for—there are different types of pollinator habitat. So for honey bee habitat, yes, alfalfa and clovers are a very good varietal you want to plant but there are other pollinators that you are concerned about that are native then they are going to be

adapted to and prefer native plantings, so it really depends upon what is the species that you are trying to provide the best habitat for.

Mr. PETERSON. Thank you, very much.

The CHAIRMAN. The gentleman yields back. Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. Mr. Weller, Chief Weller, I was so glad to hear you talk a little bit about the endangered species and Fish and Wildlife. As you know, earlier this month, a Federal judge overturned the listing of the lesser prairie chicken because they found that Fish and Wildlife had not followed its own rules in evaluating the conservation efforts when it added the species to the threatened list. And by the way, I completely agree with that judge. I know that NRCS operates one of those conservation efforts so with the lesser prairie chicken initiative which works with the Western Association of Fish and Wildlife Agencies, which has been a very successful program, by the way.

So the question I have is that initiative started back in 2010, I believe. So the first question I have, did Fish and Wildlife confer with NRCS about their efforts prior to the listing?

Mr. WELLER. Yes, we did as an agency, NRCS provided to the Fish and Wildlife Service information on the extent and the scale of the conservation investments that we had made in partnership with the producers. So my understanding is the Fish and Wildlife Service did take into consideration the NRCS contributions to the protection of the habitat.

Mr. NEUGEBAUER. And was that data based on, hey, we are having some success here? Give me a little idea of the kinds of information that you furnished them.

Mr. WELLER. So what we are trying to then roll up across the multi-state region that is important for the prairie chicken, much like we are doing with the sage-grouse, talk about the acreage, the locations of the acreage, the type of practices we have in place. But what is also in the partnership with Fish and Wildlife Service, what we did is we also then tried to identify what are the best practices to actually help the prairie chicken but then also work in a working lands landscape.

So we identified 40 different practices that we felt were the best for whether you are a farmer or rancher that would also then benefit prairie chickens. Because we have done that pre-consultative with Fish and Wildlife Service, then we would come back and say we had several hundred producers using the preapproved practices that you agreed benefit the chickens. Here is then the benefits that roll up in terms of improved forage for the chickens, improved habitat. So we did some work ahead of the listing, but then when they were proceeding with their analysis, we provided them the data in terms of participation, acreage, and investments.

Mr. NEUGEBAUER. Why do you think—you were talking about the successes that you have had where you had some of these other partnerships in place. It is my understanding this is one of the larger partnerships and involves a lot more private land than some of the other ones. Why do you think that the Fish and Wildlife decided to proceed with that after you presented them with that data?

Mr. WELLER. It has been, I completely commend the ranchers and the farmers in Texas, Oklahoma, Kansas, New Mexico, and Colorado that contributed to this effort. They really have stepped forward and been very proactive. I can't speak to why in the end Fish and Wildlife Service made the decision. They make the analysis they have, the trends they are looking at, and in the end it is a trust species that they are responsible for protecting; and that is not something NRCS was privy to or I can't necessarily speak to what ultimately led to that decision.

Mr. NEUGEBAUER. Wouldn't you say there is a tremendous amount of benefit for having these kind of partnerships and coalitions?

Mr. WELLER. Absolutely, yes.

Mr. NEUGEBAUER. I think the concern I have is that this has been very successful. Since 2014, the population has increased 20 percent in just 1 year. I think some of that is conservation efforts. Obviously, we started getting a little rain.

What I am more concerned about is the disincentive that this kind of action sets where you go out and enter into these partnerships and bring these coalitions together, and the reward that they get for that behavior is that the Fish and Wildlife Service goes ahead and decides to list that. So I want to make sure you are doing everything you can to make sure that they have good science, good information, if you are working with these partnerships.

Mr. WELLER. Well one of the things, sir, I would just want to highlight is I agree with you, and that is a big concern. And so a lot of confusion, if not fear, around ESA, and so what we try to do with the lesser prairie chicken but also with sage-grouse and five other species around the country, is this concept of regulatory certainty, predictability; and what we are doing with the chickens is if you are a rancher and you want help, you come in and visit with your local NRCS. We will come out to your ranch, and we will provide you a conservation plan, which will look at the specific threat to the chickens. And as long as you are managing your ranch using that conservation plan, you don't even have to go into a contract with us. You can do it on your own. You don't need to work with the government any more.

As long as you are managing your ranch according to that plan, what Fish and Wildlife Service has then said is that you get at least 30 years of certainty that you are not going to be asked to do anything more for the chicken basically because you have been recognized for your excellent stewardship.

So we are trying to reward folks, to your point, who are willing to voluntarily take proactive actions benefit the ranch, but also in this case benefit at-risk species, they should get something in return, and that is to be able to sleep at night not worrying about ESA.

Mr. NEUGEBAUER. Well, I appreciate the regulatory certainty. I think the bigger bonus and the bigger incentive for cooperation is that if agencies and individuals and corporations and farmers and ranchers are working towards a reasonable conservation plan, that we should leave it at that.

Mr. THOMPSON [presiding.] Mr. Scott from Georgia.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. I would follow-up with that and say somebody from the farm—I remember the time when if you found a problem, you actually would call somebody from the government because you wanted help. Now I can assure you that that is the last person that most farmers want to call. When it comes to conservation, that is a problem. People don't trust us when we talk about prairie chickens and other things. It seems to me that it is not about the chicken as much as it is about stopping other industries in certain areas.

I would just ask the one thing that we have heard about a lot recently, *Waters of the U.S.*, what do you expect the workload for your agency to be if *Waters of the U.S.* becomes the system that you have to operate under?

Mr. WELLER. So first let me start with workload, and I will get to your question about the Clean Water Rule, *Waters of the U.S.* rule. In terms of workload, we have a lot. I am really proud of how much NRCS has stepped forward with the 2014 Farm Bill. In a matter of literally weeks after it was enacted into law we were ready to roll. We had EQIP stood up and running. We had CSP stood up and running. We did a nationwide sign-up. We got another 10 million acres enrolled. We launched the new RCPP in a matter of months. And that is on top of fewer people. So because of sequestration cuts, today there are 1,500 fewer professional NRCS employees than there were just 4 years ago. So we have a lot of workload.

In regards to your question on the Clean Water Rule, at the end this is an EPA/Army Corps of Engineers rule. What we offer our customers when they want to work with us is advice. The Clean Water Rule will not impact our work. What we do is conservation compliance, but more importantly we do conservation planning and implementation of farm bill conservation programs.

And the Clean Water Rule does not impact any of those authorities. So in instances where a producer is taking out a fence row, cutting some trees, making alterations on their operation, and our field folks think, well, maybe this is something you may need a field permit for, we would then recommend they go talk to the relevant Corps office. That is not something we would necessarily advise them on how to do it, how to fill out the permit, whether they are under jurisdiction or not.

Mr. AUSTIN SCOTT of Georgia. Let me interrupt for a second. But you would agree that a lot of the reasons for the programs that we have through your agency is so that there would be a way to reduce the need for more regulations. Is that a fair statement?

Mr. WELLER. It is a complex environment. Regulations, yes. It is a complex environment, particularly not just in Georgia, a lot of different states. And so where our folks are trying to help our customers navigate that, yes, it is challenging.

Mr. AUSTIN SCOTT of Georgia. Mr. Chairman, I don't have any further questions. I would just say it seems to me we have one agency telling another agency what they can and can't do, and then a tremendous amount of fear out there with the American citizens that, quite honestly, most of us want to take care of the environment, but I can tell you if I found something that I thought might be an endangered species on my property, I sure wouldn't call the

Federal Government and let them know about it. With that, I yield the remainder of my time.

The CHAIRMAN [presiding.] Probably not a bad idea before you get yourself in trouble confessing to something you didn't want to confess to. The gentleman yields back. Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. In Arkansas, the Mississippi River Basin Initiative has been a very effective program in giving people at the state and local levels the kind of tools that they need to deal with conservation challenges, particularly specific to our region. You actually mentioned that in your comments earlier.

In the 2014 Farm Bill, though, we created the RCPP, which we had hoped would expand on that success, but it looks like a lot of the policies in the MRBI have been reversed, and I am being told there is actually a lot less local control and more deference to national groups in what types of conservation activities should be funded. Why the change in direction?

Mr. WELLER. So with RCPP, I am a little bit surprised by your comments, sir, in that it really affords maximum control to those partners.

Mr. CRAWFORD. If that is the case, why would I be hearing from my folks at home? We have two projects in particular that fall under this, and we are not hearing positive feedback with respect to local control.

Mr. WELLER. Then that is a real concern, and I need to follow up with the Arkansas State Conservationist, because the whole purpose of the program is to put the partners in at least a co-equal lead with NRCS, if not in the lead, to devise the project, to design what needs to happen, and then to really deliver the assistance as needed.

There are different pots. There are different funding pools. There is a national pool. There are what are called critical conservation areas, and then there is the state pool. And applicants from within Arkansas itself can focus on projects just specific to certain communities, counties in Arkansas; or it could be a multi-state project that would include Arkansas and perhaps Louisiana and Mississippi or go up river, up in Missouri.

So it depends on what the purpose of the original project was. It is a very competitive program. But in the end if there is a concern from local folks that there is less local control than there was previously, that is something I need to follow up with Arkansas on.

Mr. CRAWFORD. Perhaps we can communicate offline and address that problem.

Mr. WELLER. Yes, sir.

Mr. CRAWFORD. Let me expand on something that my colleague from Georgia mentioned. The perception at home among farmers, the NRCS has been up to this point the kind of agency that farmers felt comfortable with in terms of asking for help, technical help, funding help; for example, surface water retention projects, tailwater recovery, irrigation reservoirs and things like that. Not only did they get technical consult, but in many cases were able to secure funding not necessarily in total, but cost-share on a lot of projects. I have seen these projects.

I have seen these projects, and they are great projects.

But because of WOTUS, the perception at home is now the NRCS has been roped into this regulatory role that has fundamentally redefined the dynamic of the relationship between the NRCS and farmers. Your thoughts on that?

Mr. WELLER. It is an unfortunate view. In my experience, in my opinion, our role has not changed at all, and we need to do a better job of communicating what our role is.

Mr. CRAWFORD. Okay. So from a perspective of WOTUS, you have no regulatory authority under WOTUS at all?

Mr. WELLER. We do not, no.

Mr. CRAWFORD. Okay. The perception is that you do, and I am still not convinced that in some form or fashion, that you don't, in some way, have a roundabout, maybe a reporting requirement or something like that that may possibly impact the relationships that up to this point, farmers have found very favorable. The NRCS has been a very good agency to work with up to this point.

But I just want you to know that the perspective of farmers, at least in my district, is that the trust there is not going to be there anymore, because of the relationship to the EPA and WOTUS.

Mr. WELLER. So to your point, sir, we hold the information that a producer gives us voluntarily as sacrosanct. And this Committee gives us privacy provisions that are even more strenuous than other agencies. A lot of other agencies wish they had privacy protections that USDA has with our customers. We don't share that with anyone.

Mr. CRAWFORD. Okay. Let me ask you this—I only have 30 seconds left—can you tell me, unequivocally that you don't have any requirement to report to the EPA under any circumstance as it applies to WOTUS or potential violation or a significant nexus or connectivity or anything like that?

Mr. WELLER. Unequivocally, we do not report our customers to EPA. In fact, yesterday, in the Chesapeake Bay region, we were highlighted by the newspaper because three states in the Chesapeake Bay region, their departments of environmental quality are calling us out for not cooperating, for giving them farmers' information.

Mr. CRAWFORD. Okay.

Mr. WELLER. So we do not share information on farmers with regulatory agencies.

Mr. CRAWFORD. All right. Thank you. I appreciate that. My time has expired. I yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. Allen, 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman.

And just real quickly, the RCCP program I have constituents that, with the new farm program, there is an opt-out provision in the new farm program. And I have been trying to get an answer from USDA on this thing for some time, and the last thing we heard from them was that they can't opt out because the loblolly pine is now considered a hardwood. How did the loblolly pine get to be a hardwood?

Mr. WELLER. I am going to defer to my Under Secretary, who is an expert in trees. But what I know, it is not hardwood. That is the first I have heard that, sir. I could look into what is going on.

Mr. ALLEN. Okay. Good. Well, maybe we could have a discussion about that because you all are in the forestry business. And I don't know how that happened, but anyway, that was the letter that they received from the USDA is they could not opt out because the loblolly is now considered a hardwood. And so, well, that is good. I am glad that you all know that that is the case. That is wonderful news.

Also, real quickly, you had announced the final projects for consideration for the Regional Conservative Partnership Program, RCPP, second signup. What lessons have you learned from the first signup, and what types of partners are participating in these projects? Are the goals of the program being met? And what changes do you think Congress needs to make with regards to this program?

Mr. WELLER. So the first round, as I said a little bit earlier to your previous question, we are moving, for us, at a pretty quick pace. And as a result, we didn't leave a lot of time for partners to put proposals together. I think we caught people flatfooted. They didn't expect us to move as fast as we did. And then we only gave them 45 days to throw together a proposal, and then they didn't have a lot of time.

So that was the first thing we learned is that we needed to give everyone, starting with ourselves, but more importantly the partners, more time to put together comprehensive projects, to call different partners to the table, and really design something they really want to invest in. And that then also gives them more time to leverage.

So what we are seeing with the second round, what we invited back out of 265 applications this next time, we invited back 164 projects, at least one in every state. Most states had several. And what we saw is a higher level of quality in terms of what people were proposing, because they had more time. They had more experience. They had a feel for how the program works, and, in some cases, how it doesn't.

And so people were even more careful in devising really what they want to do. So if you are worried about fish passage in the Northwest, if you are worried about soil quality, if you are worried about irrigation efficiency, if you are worried about endangered species habitat, they really were careful about designing projects that would really bring a solution for their community, for their area. And then what was very impressive is they had a lot of matching contributions.

So in this next round, while out of the 164 we invited back, the total what their request is from the Federal Government from NRCS is about \$540 million. They are actually bringing to the table a total potential contribution of \$780 million, so well over a one-to-one match, which is really impressive, which just shows there is a real pent-up demand out there for this type of assistance.

And when you, as an agency, step back and you invite people to the table to design their own project, to really take the lead, it is impressive what people bring forward.

Mr. ALLEN. And to follow up on that, because we have heard comments about there seems to be some disconnect out there. Of course, we go out in our districts, we have town hall meetings. Do



you have listening sessions throughout the country with different farm agencies as far as what our farmers are having to deal with out there *versus* what you are demanding that they do?

Mr. WELLER. Absolutely. In every state, we have what are called a state technical committee where they meet once a month and they invite in farm organizations, the public state agencies, conservation groups, and they really talk about what are the priorities in a given state. So what are their concerns, whether it is drought, whether it is disease, pests, soil erosion. It is a forum for the agricultural industry to really talk directly to NRCS to say what their priorities are, where they need help, and they meet regularly.

I personally get out and meet with farm groups. I travel a lot. Wherever I go, I always want to meet with local producers but also state associations. We have a national leadership team. They are constantly engaging with regional groups, state associations, corn grower association, cattlemen associations—you name it. We really want to stay very connected to our customers.

Mr. ALLEN. Well, as a son of a farmer, our farmers want to protect the land, the forest. That is how they make their living. And so we can work on that collaboration and do a much better job. Thank you.

I yield back.

Mr. WELLER. We will find out about soft wood becoming hardwood, sir.

Mr. ALLEN. Good. I am glad I got you recorded on that.

The CHAIRMAN. I think there would be a lot of people interested in how you convert loblolly pine to hardwood.

Mr. ABRAHAM, 5 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman.

Chief Wagner, I will ask you this question, but certainly the other two may have answers. Hurricane Katrina hit Louisiana about 10 years ago. We just, unfortunately, recognized that 10 year anniversary. Forest Service came in, did an NEPA study within 60 days. I think within a month or 2, we were salvaging timber. Things were working well, a very efficient process.

And I guess the question is, why has the timeline now gone from the 2 months to over a year for an environmental analysis? Because I have people in my district that are asking for an analysis, and it has been over a year in some cases. So what is the difference between 10 years ago, 2 month timeline for environmental analysis, and now over a year? Is there different personnel? What is going on?

Ms. WAGNER. It may be that with a situation that Hurricane Katrina brought on the landscape, we had provisions to deal with emergency treatment and—

Mr. ABRAHAM. But, if I remember right, and I can certainly look back, that that contract was done without any extraordinary clauses in the contract. It was just a, pretty much a normal day at the office, so to speak, as far as getting that done within that 2 month period.

Ms. WAGNER. And so is it comparing emergency response to just basic forest management and forest restoration today that you are—

Mr. ABRAHAM. I think that is the point, is back 10 years ago when the Forest Service came in, there were no extraordinary clauses, so it wasn't designated as an emergency response even though we all know it was. But we move forward 10 years and now, also not deemed an emergency response. It has taken well over a year just to get the analysis back. And I am just asking for my constituents, because we get the calls, what is the difference? How can we facilitate to expedite that process for you guys?

Ms. WAGNER. Excellent question. We are very committed to using all of the tools available to us under the National Environmental Policy Act to act quickly, to be adaptive, to use the right kind of analysis for the right kind of situation. We found that in the last 4 years, we have actually reduced the number of NEPA analyses done and decisions done, so we are getting better at larger-scale, fewer decisions. And we are reducing the amount of time.

Now, that is nationally. I would be happy to follow up and get you some more detail relative to—

Mr. ABRAHAM. I appreciate that. We have some issues down in the southern part of my district. Their perception is that they are getting stonewalled, and I would just like to give them a good, logical explanation to open up the discussion.

Another question that whoever wants to answer. I understand the Chairman here and Chairman Lamar Smith back on the 1st of July this year requested documents on the EPA's recent NAAQS rule and its effect on the Forest Service burning. My understanding, and please correct me if I am wrong, that they got a response but they haven't received any documents. Is there any timetable as to when those documents may be forthcoming on this NAAQS rule?

Mr. BONNIE. I know the issue here is the ozone rule, right, and the potential impacts on prescribed fire.

Mr. ABRAHAM. Right. Right. Yes, on the controlled burn.

Mr. BONNIE. I don't know the exact—I know we have provided a good bit of information to you all. We would be happy to go back and check and make sure we have been responsive to your requests. I will say, lots of conversations back and forth with EPA on how to deal with this so that we can invest and prescribe fire.

Mr. ABRAHAM. I appreciate that.

And Chief Weller, I will ask you, what is the current backlog for wetlands right now and the determinations as to what determines a wetland or not, and how is that being handled?

Mr. WELLER. We have made a lot of investments in accelerating in trying to reduce the backlog. Nationally, off the top of my head, I do not know. I know where there has been a lot of focus is a little bit north of this area, up in the Prairie Pothole Region, where there has been a lot of focus of this Committee and a lot of Members. The current backlog there is around 4,000. That sounds like a lot and it is. It is not acceptable. But where we were, 3 years ago, is the high as 12,000.

But what also folks have to understand is we have, since that time, not only made a lot of progress, but we have also processed tens of thousands of requests. So over that time period has well been over 60,000 wetland determinations we have made in that

time, just in the Prairie Pothole Region, plus reduced the backlog from 12,000 down to 4,000.

So it is sort of like being on a treadmill that is set at sprint pace and still standing on the treadmill, if not getting closer to the controls to hopefully hit the stop button. So we are making progress, and we are on the track to get rid of the backlog within the next 2 years.

Mr. ABRAHAM. Great. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Yoho, 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman.

I appreciate you all being here today.

Mr. Bonnie, you were talking about there were some practices that you would recommend to prevent or decrease the negative effect of forest fires. What are those? And then the second question is, why aren't they being done now, and what do you need to facilitate that?

Mr. BONNIE. So we have increased the number of acres for treating across the National Forest System. We are doing more projects out on the ground through collaborative, larger-scale efforts.

Mr. YOHO. Projects like controlled burns?

Mr. BONNIE. Doing more prescribed fire, but as well, thinning treatments, other types of restoration to remove underbrush, small-diameter timber. As you know, in your part of the world, we have taken fire out of a lot of the ecosystems. In addition to getting the fire back in, we also need to do a lot of mechanical treatment and thinning, and we are trying to do that in a collaborative, larger-scale effort to increase both the number of acres treated and the amount of board-feet that come off of the National Forests.

Mr. YOHO. Okay. I live in the Southeast and we are blessed, I mean, pine trees grow in 15, 20 years, whereas out West it is a different story. And we do a really good job in the managing of the forest. And one of the things we see out West, you have the high wind velocities and all that and it is harder to do your prescribed burns. What are you doing to address that situation?

And along with that, we have heard from a lot of the loggers that they can't go in and harvest the board-feet that is already down. I don't know if it is the rules and regulations of the permitting process, but there is a lot of timber that is down that could be utilized that is not and that leads to the underbrush in the fire. What are you doing to alleviate that and expedite that process?

Mr. BONNIE. So let me hit the salvage piece first. There are a number of things we can do—to get at a little bit the question earlier—using some expedited procedures to try and move, particularly near roads and trails, timber that can cause a safety problem.

We moved a 300 million board-foot salvage sale in the wake of the 2013 Rim Fire out on the Stanislaus through an expedited NEPA process. We are trying to pilot efforts to do large-scale salvage operations in places like that. We will have a significant salvage issue in the wake of this fire season, and so we are looking at ways to be creative to move those but to do it with the best sound science as well.

Mr. YOHO. You just created another question for me. When you are doing that and you are going down that road to harvest those down trees, do you run into issues with the EPA and you are fighting against them, or Army Corps or any other agency?

Mr. BONNIE. No.

Mr. YOHO. All right. So nobody else is restricting you, right?

Mr. BONNIE. No. The bigger issue for us is to build a collaborative effort to bring environmentalists, timber industries, and others to the table so that we can create these larger-scale projects that will have more public support.

Mr. YOHO. All right. You brought up the environmentalists, and I want to go back to what Mr. Scott brought up when he bowed out gracefully early. I have the same problem in my district. I mean, we have gopher tortoises, we have the rattlesnakes, we have the fox squirrels, and we have farmers that have farmed for generations, 100 year farms. And they have pretty much the same practices, obviously have gotten better at best management practices.

But yet, now the government comes in and says, well, we need to monitor these fox squirrels or this. And the farmers don't want anything to do with it because they come in, *they* being the government, say, "We are here to help you," and we all know how they run from that. And we are seeing the same thing. It is, We don't want your help. Whereas before, people came to the government.

And that is an attitude change. And you brought up the environmentalists, and yes, we want the clean environment, we want clean water, and we want clean air, but sometimes there is a political agenda that we see driving a lot of this that is counterintuitive or productive to our producers who are out there trying to make a living. And it increases the costs and it reduces the usability of their land. And that is something I hope you guys take back in your discussions and say a little bit of this is good, but a little bit is too much. We need to back off here.

I have another question I wanted to ask. On the lands that are going into the easements and the conservation easement, and Mr. Weller, feel free to weigh in on this. What is the percentage of land that has gone from the private sector back to the government and off the payrolls? Because what we are seeing in our state is we see a lot of this being put into the conservation easements. And I don't want to get in a situation in my state where we have PILT payments, payment in lieu of taxes, and that lands are off the tax rolls.

Mr. WELLER. So nationally, NRCS has either co-invested with other land trusts and state agencies or on its own through the wetland programs about 4 million acres of conservation easements. Most of those are permanent, or is the maximum allowed under state law. Those are still taxed but they are just at a reduced rate. So it is no longer taxed at the development potential. So if it was converted from an ag use to non-ag use, you understand probably better than I do. It is less of a PILT issue in terms of just not having any taxes at all come off those lands.

Mr. YOHO. I yield back. I am out of time, Mr. Chairman. Thank you.

The CHAIRMAN. Sure. The gentleman yields back.

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Mr. Bonnie, it is good to see you. I want to follow up on the catastrophic wildfire season. It has been a terrible season, obviously, and the loss of life of some very outstanding Forest Service employees. We are certainly keeping them and their families in our thoughts and prayers.

The Administration has been very vocal for the need to provide more funding to combat wildfires and also to stop fire borrowing from the Forest Service budget. As a matter of fact, I see there is a press release today regarding the Administration's letter to Congress addressing the budget issue. And I agree there needs to be a solution, but fixing the budget is not the final solution, certainly not the full solution. However, addressing fire borrowing will not solve the issue.

It is also very important the Forest Service have the ability to expediently treat National Forest acres for forest health and wild fire prevention. The Committee passed through the House H.R. 2647, the Resilient Federal Forest Act of 2015. Now, the legislation was an earnest attempt to give the Forest Service more authority and much needed flexibility to deal with these challenges of process funding, litigation, necessary timber harvesting, and much needed act of management.

Now, the Obama Administration strongly opposes this legislation, despite the fact in your testimony when you were talking just most recently about a fire. You were using words that were in that bill, *collaborative*, *expedited*, *NEPA*. I mean, you were kind of describing the bill that your boss or your boss' boss opposes, I guess, or you oppose. And so can you explain the Administration's opposition to the bill?

Mr. BONNIE. I am happy to. So first, the most important thing we can do to increase pace and scale is clearly to fix the budget. Our criticism of the budget provisions in the legislation is that they don't go far enough. You have done a good job of solving the transfer problem, but the long-term impact of fire in our budget, we expect that in 10 years we will spend not 50 percent like we do now on fire programs, but  $\frac{2}{3}$  of our budget. That is going to impact our ability to do all kind of things, including restoration.

Mr. THOMPSON. So let me cut to then—I get it. You want more money. Is there anything in this legislation or are there other ideas the Administration can support—and I am going to say beyond money, okay. Not to say that we don't need to look at that, but I am looking for ideas beyond that that would assist the Forest Service in actively treating forest acres?

Mr. BONNIE. Absolutely. We welcome the conversation. As the Statement of Administration Policy said, we have some concerns with sort of the design and scale of some of the provisions related to NEPA, some other things. But we are willing to have a conversation. I put things maybe in a few different buckets. One is a conversation about NEPA categorical exclusions, maybe similar to the insect and disease provisions.

Mr. THOMPSON. I think we had categorical exclusions in this bill that you oppose.

Mr. BONNIE. I think we would design them differently. Second, there are things we can do to promote larger landscape scale projects. There are some things there we can do. Promoting markets is another key thing that we can do. There may be some flexibility around—

Mr. THOMPSON. I agree wholeheartedly. But this was a forest management bill. Certainly markets and doing things to increase value timber to support the markets, those are the things we can do and certainly are going in the trade agreements being negotiated. But I still—you are not convincing me—I haven't heard a good reason to oppose this bill yet.

Mr. BONNIE. Well, I guess my message to you would be, we have to do a lot more on the budget side, and the budget piece we design is budget neutral.

Mr. THOMPSON. Yes. Let me share some numbers with you. And these are numbers actually from your testimony or from, maybe it was a press release, but although you made reference to it. 1995,  $\frac{1}{6}$  of the Forest Service budget was used for fighting forest fires; August of 2015,  $\frac{1}{2}$  the budget, and then you made a projection for the future.

I would happen to agree with you, the trajectory we are on. And I know part of it is warmer temperatures, but part of it is just sort of allowing the fuel load to build up way too high.

Mr. BONNIE. Absolutely.

Mr. THOMPSON. I want to go back and readdress the numbers. 1995, where you spent  $\frac{1}{6}$  the Forest Service budget, you harvested 3.8 billion board-feet. Just in 1987, prior to that, 7 years prior we harvested 12.7 billion board-feet. In August of 2015, where this year,  $\frac{1}{2}$  the Forest Service budget is consumed in wildfire fighting, you only harvested 2.4 billion board feet.

I really want to look at the root cause of this. What are those implications in terms of, number one, fuel load? And number two, I would put on the table that I don't know what the average—and I know there is a wide range—the average value of a board-foot saw log harvested from a National Forest. I know it is a wide range, but certainly there is a number there. Whatever that number is, I mean, it has to be a huge amount of lost revenue when you think that we have lost, based on the high, we are not harvesting this year 10.3 billion board feet.

You know, you were looking for more revenue? You are sitting on a resource that produces revenue if you are doing the job. And if you are producing a revenue, you are taking away the fuel load. And I would argue that is the biggest problem we have.

And so those are—I know I am way out of time, but I will look forward to talking with you more about those. This is obviously—we are going to be doing a hearing in the Subcommittee on Forestry, on October 6, coming up here soon. So we will—

Mr. BONNIE. I know I am out of time. I would just share, we share your interest in increasing the pace and scale of restoration absolutely and welcome the conversation. We think the budget is obviously a critical part of it, but there are other pieces as well.

Mr. THOMPSON. Restoration is surrender treatment. The word *treatment* is surrender, because that means you have allowed a

problem to be created. We need to be proactive. That is saw log harvesting.

Mr. BONNIE. That is certainly part of it.

Mr. THOMPSON. Well, I would say it is a big part of it. It is preventing problems from occurring and developing.

Sorry, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. MOOLENAAR, 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

I wanted to ask you, are you the lead agency when it comes to designating wetlands? Would that be your role?

Mr. WELLER. I have to be careful how I answer that question. It depends on, if it is for participating in a USDA program, we are the agency that determines whether it is a wetland or not, yes. For purposes of the Clean Water Act, no, we are not the agency that determines whether that is a wetland.

Mr. MOOLENAAR. Okay. So that is where, when you said that you don't have expanded responsibilities with the Clean Water Act, that is that differentiation, okay.

Would you agree that under the new EPA rule that their jurisdiction has expanded?

Mr. WELLER. I can't speak to their jurisdiction. I really have to defer to EPA and their definition of their *jurisdiction*.

Mr. MOOLENAAR. But I mean, you talk to a lot of farmers. You probably talk to a lot of people. Wouldn't you say their jurisdiction is expanded?

Mr. WELLER. I have heard a lot from producers of concerns about the jurisdiction and the potential expansion of that. And I know EPA and the Corps are trying to put together information. They have done a lot of outreach with the producers, with the farming community and ranching community to help provide education, provide more information about what is or is not covered by this proposed or now the final rule.

But in terms of whether jurisdiction has expanded or not, I really—I have to defer to EPA on that.

Mr. MOOLENAAR. Okay. And what are you hearing from people when you hear about this rule? Is it positive? Because the EPA would say that their goal is to clarify. Is that your sense? Are you hearing that?

Mr. WELLER. I know EPA's goal was to try and clarify jurisdiction. I have heard from producers across the country a lot of concerns and questions about what is or is not covered.

Mr. MOOLENAAR. Would you estimate that there will be a greater need for Federal permits because of this rule, if you are a home builder or someone who isn't participating in the program that you oversee? Do you think this will lead to a need for greater permitting?

Mr. WELLER. With respect to agriculture, I do not expect there to be a significant increase in the amount of permitting required. All the protections for farming that have been in place previously are still in place. All the protections for conservation, particularly uplands, conservation practices are still in place and are exempted.

So by and large, there is not a significant expansion of need to do permitting. But at the end of the day, we are not the permitting

agency. That is going to have to be the Corps or EPA to determine what is or is not.

With regard to home building or general construction or other expansion of infrastructure, again, I am not an expert in that arena. I can't speak to that.

Mr. MOOLENAAR. And it seems like they have introduced some new definitions that many people in the—when I talk to the farmers in my district, they are worried that the EPA is going to regulate the mud puddles, the ditches, everything. They are very concerned about it. And are you saying that they aren't going to have jurisdiction over those areas in agriculture?

Mr. WELLER. EPA has tried to define what is a *ditch*, first of all, and what is covered. I think from EPA's standpoint, they don't have the capacity, interest, or they do not want to have to go out and regulate mud puddles or ditches. They know that is beyond their capacity, and that is not really the issues they are trying to address with the Clean Water rule.

They try, to the best of their ability, and I guess from your line of questioning, it seems like they have a little bit of ways to go—but they try to the best of their ability to really make it as clear as possible what is covered and what is not. But, again, I have to defer to EPA as to how well of a job they did on that. And the feedback that you are receiving apparently and that I have heard also from the agricultural community, they have some work yet to do.

Mr. MOOLENAAR. Well, I guess that would be my question to you is, to what extent can you advocate for agriculture in this regard? Because, as I look at my district and hear from farmers in my district, this is the number one concern. And I don't think they believe that EPA is speaking for them. And the question would be: is that something, a role that you can take on?

Mr. WELLER. We do advocate for agriculture at U.S. Department of Agriculture, and we have provided technical assistance to EPA and to the Corps when they were designing the rule. Some aspects of that assistance they took; some they did not. But throughout the rulemaking process, we did, as a Department, NRCS, the Secretary's Office, other offices and agencies within USDA, did engage with and try to provide technical advice to EPA and the Corps as they designed the rule.

And then throughout that, we really tried to bring a common-sense approach in, here is what production agriculture looks like, here is the facts on the ground, and here are the implications of what—in terms of different decisions they are considering, here are the implications for agriculture. So we really did, as a Department, try to advocate for and speak for agriculture.

Mr. MOOLENAAR. And do you believe it is successful for agriculture, this new rule?

Mr. WELLER. I guess it remains to be seen at the end how well it is implemented and what its true impacts are. I have to take EPA, from their comments, that they really do view this as not impacting agriculture significantly, but that, I guess, remains to be seen.

Mr. MOOLENAAR. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.



Mr. Gibson, 5 minutes.

Mr. GIBSON. Well, thanks, Mr. Chairman.

I appreciate the panelists being here today.

The first question I have, really a comment, we have in our district a major EWP project. NRCS, thank you very much for your help on that. This is in Schoharie County in upstate New York, and a \$24 million investment. I want to thank you for that.

Our area was devastated by Hurricanes Irene, Lee, and to a degree, Sandy. And so clearly we need to take some proactive measures to help protect people and property, going forward. So I really want to express my gratitude that you agreed and were working this project.

I suspect you probably know we are having some challenges with the project. I am working as a broker in this to really get this done. You guys are rightfully ensuring that we are going to do this to the standard, and I appreciate that after 29 years in the military.

And from my local folks, they are feeling a little bit picked on from time to time. We are sorting through the details of that to make sure that they understand what the standards are with the ultimate goal of making sure this gets done. What I am just looking for today is just acknowledgment of how important this project is and that you are in, you are committed with us to getting this done.

Mr. WELLER. Absolutely, sir. We are provided this program and these resources to help communities. They are locally-led projects, and we are there, but for the invitation to help those communities. So we want this project, in particular, to be successful. And we do appreciate your help in helping to be that intermediary to help us understand, but also to help work with the local project sponsors as well, and we are committed to seeing this be successful.

Mr. GIBSON. Well, I appreciate that, because rumor control, as I hear that every now and then. Some folks on the ground think that you are going to leave them, and I assure them that you are not; that you are insisting on standards—and again, I understand standards—but that you are committed to working together to make sure we get done to standard.

Mr. WELLER. And the standards are really important. Sometimes they may sound bureaucratic, but at the end, they are actually for people's protection; that if we are putting in structural implements, if they fail, that could be a risk to people's property or their lives. They have to be designed and something that we can stand behind.

Mr. GIBSON. And we understand that. And thank you for your assurances that we are committed to working together on that.

The second question I have has to do with the Forest Legacy Program. So I have a bill that looks explicitly at the management of easements for forest legacy with the move in the bill to allow for more local control for states to make the decision as to whether or not they want land conservancies to manage these easements. I am familiar with the history of this in the last 10, 15 years or so, and some reports that were rendered with regard to challenges.

From my research, it appears that we have learned from those challenges and that it may be to the benefit of all, that being those that support this program, those that benefit from this program, and the taxpayer, that a bill thusly designed should become law.

I am curious to know if you know of it and what your thoughts are on these ideas?

Mr. BONNIE. So, I am aware of the issue. Obviously, haven't seen the specific piece of legislation, so don't want to comment on that. We have had a number of people approach us about this issue and interest in the role that local land trusts and others can play in the Forest Legacy Program. We welcome the conversation.

Frankly, there have been folks on both sides of this issue. The Forest Legacy Program has worked well to keep forests and forestry, and we want to continue that. I think we would welcome the conversation to sit down with you and explore this further.

Mr. GIBSON. Well, I look forward to that. The analysis that I have and the testimonial I have received is that we can actually get more value out of this and allow this money to go further, and to really get a fuller benefit in there. So thank you for your interest in that, and I will work with my great Chairman on that one as well.

So Mr. Chairman, with that, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Benishek, 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman.

Thank you all for being here this afternoon.

I want to follow up on a few questions that my colleague, Mr. Abraham and Chairman Thompson mentioned as well, because they are concerns to me. I represent the northern half of Michigan. We have three Federal forests. It is a big part of our economy, not only our recreation, but the timber management.

And some of the things we see in value for the resource of the forest, which you all are managing for the American people, to me, this is a resource that provides income and jobs for the community. I would like an answer to a couple questions. In response to Mr. Abraham's question about the forest and then the salvage of the fire, so how many acres of timberland have burned in the last 10 years? And then how many of those acres have actually been treated for salvage?

Mr. BONNIE. I can't give you an answer to that question off the top of my head. I will say, this year we burned 8.8 million acres, that is forestland and rangeland as well. The numbers are high. And, in some cases, it makes sense to do salvage; in other places it is either too remote or otherwise to think about it.

Mr. BENISHEK. Well, that would be a great answer for me to understand that a little better, because it seems to me that some of the things that came up today related to the salvage issue.

The other question I have is similar. To me, this fuel load is an issue, okay, and how many acres of burn compared to how many acres that we have harvested in the last 5 years? What is the story there?

Mr. BONNIE. Annually, we are burning north of 7 million acres a year. In terms of treatments in the Forest Service, I look to my left a little bit, we are in the neighborhood of 2.9 million acres somewhere.

Ms. WAGNER. Across all restoration, it is probably around 250,000 of mechanical treatment for timber sales.

Mr. BENISHEK. So much more land is burned than has been harvested, sounds like——

Mr. BONNIE. That is right.

Mr. BENISHEK.—that order of magnitude.

And to Mr. Thompson's question about getting more harvest into the forest, what have you done? What I hear from different people in your agencies and outside is that because of budgetary issues, they can't get more harvesting done. And because of the way that the cuts are mandated to be done, it actually costs the Forest Service more money than they make by selling trees. And I always thought when you sell trees you make money, but apparently the Forest Service does not.

And what have you done in the last 3 years to improve the process by which sales occur to maximize the resource of the American people? Because I don't want to see this—the process cost more money than the actual, when I am a forest owner and people own land elsewhere that harvest the forest in a very satisfactory way the third party observations and all that and they actually make money. But you folks can't seem to do that.

So to me, it should be easy to harvest the trees because you can be making money at the same time. So can you go into that a little bit for me, please?

Mr. BONNIE. So I will start off and then Mary can fill in. So we have increased the amount of timber harvest since 2008 by about 18 percent. Last year we harvested about 2.8 billion board-feet. And we have clearly stated that we need to do more. We agree with you; there is more land to treat.

In terms of new things that we have done, we have invested in a larger-scale landscape projects. We have done a project across 1 million acres in Arizona. I mentioned earlier the Rim Fire project, so we are trying to——

Mr. BENISHEK. Let me just comment on that right away, that in my district, it is difficult for the people that want to harvest to get into a deal because they can't make a deal for 10,000 acres. They need some smaller deals——

Mr. BONNIE. Yes.

Mr. BENISHEK.—that the loggers can get into easier. So I applaud your effort there, but it has made it harder for people in my district to actually cut trees down in the Federal forest because of maybe rules like you are talking about.

Mr. BONNIE. Well, so we can choose the sale. We can do smaller sales. I didn't mean to suggest we are only doing larger. Absolutely right.

The other thing I would say about value is there are clearly places where timber sales are going to pencil out in a positive way. I would also say that there are places where either the markets aren't robust or we have small diameter timber that we have to go in and remove, that the economics aren't as good. There aren't places——

Mr. BENISHEK. Everybody understands—I mean, at least, I understand the forest. You cut areas out you can make money in. But there are a lot of those areas in the forest that aren't being harvested now. So how can you improve that process, going forward, and then how can I improve it?

Mr. BONNIE. I agree with you that we need to do more work. As I noted earlier, I am willing to have a conversation about are there authorities and things we can look at. I will come back to the point that the most important thing, most of the biggest constraint on our ability to do work is the lack of capacity. And that lack of capacity comes from the shift of non-fire resources into fire. And if we don't do something about that problem, it is going to be harder for us to do all kinds of things, including forest management.

Mr. BENISHEK. I think I am out of time though.

The CHAIRMAN. The gentleman's time has expired.

Chief Wagner, one final comment real quick. We need to get to the other panel.

Ms. WAGNER. I might just add that timber harvest does increase despite the fact that our staff has decreased by  $\frac{1}{3}$  since 1998. We are finding a lot of efficiencies to sell a board-foot of timber at reduced costs, so we found efficiencies internally.

With our National Environmental Policy Act efficiencies, we have also, based on scale collaboration, we have exciting ventures where we are using adaptive approaches with insects and disease where we are forecasting a future 5 to 10 years out without having to do additional NEPA.

Congress has also given us authority for the collaborative Forest Landscape Restoration Program, 23 projects across the nation. They are accelerating the reduction of fire risk, improving forest health, eradicating noxious weeds and producing board-feet, creating jobs as well. So those are on track to meet their 10 year goals.

And the authorities through the farm bill, insects and disease authority, good neighbor authority, and permanent stewardship contracting authority. So we have a great set of tools, and we are making the most of the resources that we have.

The CHAIRMAN. I want to thank Secretary Bonnie; thank you, Chief Weller; and Chief Wagner, thank you. I think you have all so graciously agreed to meet with Members privately in 1306 while we transition. So, again, thank you very much for coming in today. I know it is a hassle. We appreciate it. If you all will go down to 1306, Members who want to have a quick conversation with you individually will do that, and then we will get the other panel in.

So we stand in recess while we swap out the panels. Thank you all very, very much.

[Recess.]

The CHAIRMAN. Okay. Let's go ahead and start.

I want to welcome my third panel. The good news is, the Department of Labor's overtime rules aren't going into effect until January. So it probably wouldn't apply to you guys anyway. I think some of us are going to try to stop that anyway.

So anyway, I want to welcome our third panel. Thank you very much for being here this afternoon. We have today with us the Honorable Catherine Woteki, who is the Under Secretary for Research, Education, and Economics, USDA. Thank you for being here.

We have Dr. Chavonda Jacobs-Young, who is Administrator at the Agricultural Research Service. Thank you; Dr. Sonny Ramaswamy, who is the Director of National Institute of Food and

Agriculture; Dr. Mary Bohman, who is the Administrator for Economic Research Service; and we have Renee Picanso, Associate Administrator for the National Agricultural Statistics Service. So thank you very much for being here today.

Under Secretary, the floor is yours.

**STATEMENT OF HON. CATHERINE WOTEKI, Ph.D., UNDER SECRETARY, RESEARCH, EDUCATION, AND ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY CHAVONDA JACOBS-YOUNG, Ph.D., ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE, USDA; SONNY RAMASWAMY, Ph.D., DIRECTOR, NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, USDA; MARY BOHMAN, Ph.D., ADMINISTRATOR, ECONOMIC RESEARCH SERVICE, USDA; AND RENEE PICANSO, ASSOCIATE ADMINISTRATOR, NATIONAL AGRICULTURAL STATISTICS SERVICE, USDA**

Dr. WOTEKI. Thank you, Chairman Conaway.

The CHAIRMAN. Microphone. The microphone. You will need to pull it closer.

Dr. WOTEKI. I know how to operate these things, yes.

The CHAIRMAN. We will have to have you up here more often so you can get better trained.

Dr. WOTEKI. Chairman Conaway, distinguished Members of the Committee, it is really our honor to be testifying before you this afternoon about the research, education, and economics mission area.

As you noted, Mr. Chairman, I am accompanied by the leaders of the four agencies within this mission area, and I request that our written testimony be entered into the record, and I will briefly summarize that testimony.

The CHAIRMAN. Without objection.

Dr. WOTEKI. The United States, as well as the world, is facing a food security challenge. Investments in research are a critical factor in our ability to provide the future generations with food and provide the additional services that will be demanded of agriculture.

The REE mission area agencies conduct and sponsor research our country needs to keep our food supply safe, secure, and abundant; to ensure profitability to our farmers and ranchers; to improve nutrition and food safety for lifelong health; to reduce pollution related to agricultural practices; to safeguard natural resources, and to address our nation's energy needs.

The four REE agencies play important and complementary roles in developing the scientific understanding to tackle these issues. ARS, with its network of 2,000 scientists at 90 different locations across the country, works to protect agriculture and transfer its research results to the marketplace.

NIFA funds research at universities that integrates research, education, and extension to ensure that groundbreaking discoveries go beyond the laboratory and make their way to farmers, ranchers, classrooms, and communities where Americans can put this knowledge into practice to improve their lives.

ERS performs economic research and analysis that guide program and policy decisions throughout the Department, and NASS conducts numerous surveys as well as a Census of Agriculture issues over 400 reports annually that provide accurate, timely, and useful official statistical data on national, state, as well as county levels about production, supply, price, and other aspects of U.S. agriculture.

The land-grant universities are valued partners in all these research, education, and statistical activities. REE's work in the food and agricultural science is based on the premise that the Federal Government has a role in advancing scientific knowledge to promote our nation's social and economic well-being. REE does this by investing in areas in which for-profit industry does not invest, and a good example of this is fundamental science, or also called basic research. It also collaborates with the public-sector academia and the private-sector to amplify research outcomes and impacts.

The 2014 Farm Bill has been very important to us. In it, Congress underscored its interest in developing public-private partnerships in the agriculture, research, education, and extension realm through four different initiatives: Matching funds provision that encourages prospective NIFA grantees to partner with land-grant universities; the facilitation of commodity promotion boards participating in NIFA's competitive grants program; incentivizing a research consortia to form centers of excellence and to apply for selected NIFA grants; and also, Congress created a new private not-for-profit foundation for food and agricultural research.

In keeping with the Administration's effort to break down silos, the REE agencies are actively encouraged to seek efficiencies, collaborate, and to form partnerships. And one example of this approach is the way that we have been addressing highly-pathogenic avian influenza. ERS has been assessing the impacts of this disease on domestic and global poultry markets.

NIFA has been supporting university researchers in extension education to develop new tools that help producers better prevent, control, and manage this year's outbreaks. And ARS scientists have been working in connection with APHIS, not only to identify the specific strains involved, but also to develop a vaccine against the virus as well as better detection technologies.

Our written testimony provides additional examples.

In closing, Mr. Chairman, despite the significant efforts by recent farm bills and the annual spending bills to restructure, reorganize, reauthorize, repeal outmoded provisions, agriculture science in the United States is really at a crossroads. It is no secret that the American research enterprise needs additional resources.

Our written testimony makes reference to an ERS analysis, indicating that a small increase each year in real term, about a one percent increase in the research of that investment, would yield an 80 percent increase in agricultural productivity by the year 2050.

So, Mr. Chairman, we thank you for the interest that this Committee has in agricultural research, education, and economics. And my colleagues and I are eager to answer any questions you might have. Thank you.

[The prepared statement of Dr. Woteki follows:]

PREPARED STATEMENT OF HON. CATHERINE WOTEKI, PH.D., UNDER SECRETARY,  
RESEARCH, EDUCATION, AND ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE,  
WASHINGTON, D.C.

Chairman Conaway, Ranking Member Peterson, and distinguished Members of the House Agriculture Committee, I am pleased to appear before you to provide an overview of the activities of the Research, Education, and Economics (REE) mission area of the United States Department of Agriculture (USDA), highlight some of our recent success, and share some insight on the priorities for the coming years.

I am accompanied by the leaders of our four agencies: Dr. Chavonda Jacobs-Young, Administrator of the Agricultural Research Service (ARS), Dr. Mary Bohman, Administrator of the Economic Research Service (ERS), Ms. Renee Picanso, Associate Administrator of the National Agricultural Statistics Service (NASS), and Dr. Sonny Ramaswamy, Director of the National Institute of Food and Agriculture (NIFA).

The United States and the world are facing critical problems and opportunities. Global population is expected to reach nine billion people by 2050, almost two billion more people than today. At the same time we are seeing the impacts of climate change, impacts that will only get worse. These are among the challenges that all of us face. Investments in research are a critical factor in meeting these and other challenges and opportunities, and it is the REE mission area agencies that support the critical research our country needs to keep our food supply safe, secure, and abundant, ensure farm profitability, improve nutrition and food safety for lifelong health, reduce pollution and improve the environment through climate friendly practices, safeguard sustainable use of natural resources, including an abundant and safe water supply, and address our nation's energy needs. For instance, ARS with its network of 2,000 scientists at nearly 90 laboratories across the country works to enhance and protect agriculture as well as transfer research results to the marketplace where they serve the needs of a wide range of users. By funding research at land-grant universities, as well as other universities and organizations, NIFA integrates research, education, and extension to ensure that groundbreaking discoveries go beyond the laboratory and make their way to the farms, ranches, classrooms, and communities where Americans can put this knowledge into practice and improve lives. The economic research and analysis work of ERS guides policy throughout government and provides vital information to consumers, other researchers and the marketplace. NASS conducts numerous surveys and issues over 400 reports that provide accurate, timely, and useful official statistical data on national, state and county agricultural estimates covering production, supply, price and other aspects of the U.S. agricultural economy. Farmers and ranchers, governments, commodity markets, businesses, and researchers are among those who depend on these statistics to make informed decisions.

We have a rich history of the agricultural sciences in the United States and I would like to provide you some context for the ongoing work within the mission area.

The agricultural research and education system of the United States started in 1862 with President Abraham Lincoln signing into law the creation of a new Department of Agriculture with the mission to promote scientific agriculture and the propagation and distribution of seeds. The passage of the Morrill Act in 1862 established the land-grant university (LGU) system. In creating the land-grant system, a whole new generation was allowed to gain access to post-secondary education in the United States, ensuring that higher education would nevermore be only for the elites. Congress expanded this family of land-grants in 1890 to serve the educational needs of the African American communities and, in 1994, to serve Native Americans in welcoming Tribal universities and colleges. Just 2 months ago, on July 15, 2015, this Committee hosted the Presidents of 1890s land-grant universities at a historic hearing to celebrate the 125th anniversary of the passage of the Second Morrill Act.

Congress passed the Hatch Act of 1887, which created the State Agricultural Experiment Stations. These experiment stations contributed to many key discoveries in agricultural science. In 1914, the Smith-Lever Act was signed into law, which created the Cooperative Extension Service as a unique Federal, state, and local partnership to translate knowledge into innovations and solutions that advanced economic and social progress in American agriculture and rural America.

REE's work in the food and agricultural sciences is based on the premise that the Federal Government has a role in advancing scientific knowledge to promote our nation's social and economic well-being. REE does this by investing in areas in which for-profit industry does not invest, such as basic research. It also collaborates with the public-sector, academia, and the private-sector to amplify research outcomes and impacts. Underinvestment or the absence of investments in food and agricultural

sciences diminishes the needed foundational knowledge-base and impacts our nation's global preeminence and economic well-being. It is with these goals in mind, that the REE mission area agencies establish their priorities and conduct their work.

These priorities are determined through a rigorous and extensive process that incorporates the direction provided by this Committee through its 5 year authorizing farm bills, the annual appropriations bills, and related governance statutes set in place by Congress and guidance provided by the President. REE agencies have their 5 year strategic plans, which are aligned with the Department's plans. Input is also solicited from many different types of stakeholders throughout the planning process. These stakeholders conduct or use agricultural research, education, and economics services provided by or for the agencies and include representatives from commodity groups, industry, interagency Federal working groups, scientific societies, and university partners. Stakeholders also include the Congressionally-established REE external advisory committee, the National Agricultural Research, Extension, Education, and Economics Advisory Board (NAREEEAB).

In the 2014 Farm Bill, Congress underscored its interest in developing public-private partnerships in the agricultural research, education, and extension realm through three different policy provisions discussed below. These provisions enable the REE agencies—in particular, NIFA—to partner with its stakeholders and foster increased collaboration between academia and the private-sector.

Three specific examples of these provisions are: (1) the matching funds provision which encourages prospective NIFA grantees to partner with land-grant universities when applying for a NIFA grant; (2) the facilitation of commodity promotion boards' participation in NIFA's signature competitive grants program, the Agriculture and Food Research Initiative; and (3) the incentivizing of research consortia to form 'centers of excellence' and apply for selected NIFA grants in a collaborative manner. In addition, Congress created the new, private, nonprofit Foundation for Food and Agriculture Research which must match its initial Federal seed contribution of \$200 million with an equal amount from non-Federal sources before underwriting research. The Office of Technology Transfer (OTT) nested within ARS serves all of USDA in its work with the private-sector. Organizing public-private partnerships, as the 2014 Farm Bill has done, ensures that more public funds are leveraged with private-sector dollars to make the most of the taxpayer investment.

As important as identifying priorities are in providing strategic direction, this represents only part of REE's success model. The ultimate measure of success is not just the number of research projects we are working on, the number of surveys in the field, or the number of grants awarded. The REE agencies measure their success by the outcomes of their work. This evidence-based orientation forces us to examine how our efforts are helping change the landscape of the American food and agriculture enterprise.

Take for example the efforts of ARS, which views its work as bookending the research spectrum—exploring fundamental topics that can eventually be transferred to the private-sector in order to be commercialized as a way of improving the public good. Examples include the mosquito repellent DEET, Lactaid for the lactose-intolerant, the variety Roma tomatoes (which is still the main variety used for tomato paste), red seedless grapes, and disease-resistant, high-yielding sugarcane, are additional examples of ARS's contributions. In Fiscal Year 2013 alone, ARS scientists advanced 75 inventions towards the patent process and were responsible for over 4,400 scientific publications.

In the same vein, NIFA measures its success through the impacts of its grants on the public good. Through the integration of research, education, and extension programs totaling about \$1.5 billion, NIFA ensures that innovative solutions are found to problems in food and agriculture and that these solutions go beyond the laboratory, into the classroom and into our communities. For example, a team of NIFA-funded scientists from the land-grant universities, ARS, and the dairy industry have developed a new genetic test that can assess an animal's traits immediately after birth. About 10,000 animals were genotyped, and researchers used the data to develop a new breeding selection method called genome selection. The genome selection method simultaneously reduced animal selection time (from 5 years to 1 week) and increased prediction accuracy by more than 30 percent for most traits. The dairy industry quickly adopted this technology and has since genotyped more than 500,000 dairy cattle for estimated annual benefits of \$100 million per year. Success in this Maryland-based program has led to projects that aim to develop similar genotyping tests for beef cattle. As another example, NIFA's impacts include a 5 year project at Iowa State University to investigate how heat stress affects a pig's metabolism and performance. Heat stress is one of the costliest issues in the U.S. pork industry. Researchers at ISU are investigating how heat stress can



influence a pig's fetal development and postnatal life, including the ability to develop and grow. The knowledge this study provides will become increasingly valuable as producers work to mitigate severe summer temperatures.

Finally, NIFA research investments at Oregon State University have resulted in the creation of an environmentally friendly wood adhesive made from soybean flour. By replacing conventional adhesive, plywood production plants have reduced the emission of hazardous air pollutants by 90 percent.

These are just a few examples of results from two of the largest REE mission area agencies. Despite their relatively smaller size, the remaining two REE agencies—NASS and ERS—provide an essential service that policymakers, regulators, markets, and academics rely on every day.

For instance as I mentioned earlier, NASS's mission is to provide timely, accurate, and useful official statistics in service to U.S. agriculture. NASS achieves this through two separate appropriated program areas: the Agricultural Estimates program and the Census of Agriculture and its follow-on studies. The Agricultural Estimates program provides critical supply, production and price data that is the foundation of the commodities market and critical to the coordination of damage and loss assessment of the crop insurance program and disaster assistance. The Census of Agriculture serves as the benchmark of the structure of agriculture in the U.S. and is critical to formulation of agriculture policy. The Agricultural Estimates program issues over 400 reports annually, providing U.S., regional and state estimates on a wide range of crop and livestock commodities, in addition to estimates of environmental issues, economics and demographics. The quinquennial Census provides very detailed statistics at the county, watershed and Congressional district level. Additionally under this program, NASS conducts in-depth studies on topics like irrigation, horticulture, organic farming and aquaculture.

The Economic Research Service also reaches far beyond the borders of USDA. The mission of ERS is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development. Although ERS research programs are aimed at the information needs of policymakers, its information and analysis is also used by the media, trade associations, public interest groups, and the general public. ERS studies are widely recognized in the research community for its credibility, timeliness, and use of cutting edge data, models, and methods.

Rather than make recommendations, ERS designs its research to demonstrate to its users the consequences of taking alternative policy or programmatic pathways. In fact, in recognition of this 'arms-length' role, along with NASS, ERS is also another of the 13 OMB officially designated Federal statistical agencies. As principal Federal statistical agencies both NASS and ERS provide data that are relevant to policy issues, maintain credibility among data users, maintain the trust and confidentiality of data providers and the independence from political and other external influence.

In keeping with the Administration's effort to break down silos, REE agencies are actively encouraged to seek efficiencies, collaborations, and partnerships with other agencies in the REE mission area and the Department. For example, ERS relies on NASS data for its Farm Income Estimate research; ERS provides ARS with social science research and analysis that guides some aspects of ARS' priority setting; ARS and NIFA routinely work together on research projects that have both intramural and extramural components. The REE mission area works broadly across the Department and with other Federal agencies on agricultural literacy, food safety, pests and diseases, bioenergy, natural resources, and nutrition programs in order to ensure REE programs provide the science backbone to support budget and program policy decision makers.

Mr. Chairman, up to this point, I have presented some information on the mission of REE agencies, provided some background on how priorities are coordinated in the mission area, and featured some of the results of the agencies' work in these longer term investments. I would like to round out my discussion with a word on current initiatives and a look forward at agricultural science in the coming years.

Part of the portfolio approach to finding solutions to the challenges that confront us includes efforts to mitigate and resolve the challenges that are before us today. Here are three such examples.

The REE agencies have been working to combat the highly-pathogenic avian influenza (HPAI) virus. ERS continues to monitor and assess the impacts of this most devastating disease on domestic and global poultry markets, while NIFA supports university researchers to develop new tools that help better prevent, control, and manage future outbreaks of HPAI. ARS scientists have been working in concert with the Department's Animal and Plant Health Inspection Service (APHIS), which is in the forefront of actions to combat HPAI, and the poultry industry to identify

the specific strains of the virus, develop a test to detect the virus in poultry, and develop a vaccine against the virus. While ARS vaccine development efforts look promising, much more work needs to be done before a licensed vaccine could be available for use as an aid to HPAI eradication.

In the last few years, the issue of antimicrobial resistance (AMR) has emerged as a serious health threat to both animals and humans. While our understanding of the development and spread of antimicrobial resistance remains incomplete, the REE agencies have worked with the Department-wide One Health Working Group to make strides in our knowledge on AMR. The action plan for combating AMR takes a voluntary, comprehensive, systems approach to surveillance, research and development, and outreach activities. In implementing this action plan, USDA intends to provide researchers, producers, and consumers science-based, quantitative information about drug use and resistance in food animals and their relationship to livestock management practices.

A final example of current work is the REE support of a multi-agency effort on pollinators. As proposed in the President's FY 2016 budget request, the Pollinator Health Initiative will focus on the decline of honey bees and other pollinators. The continued loss of commercial honey bee colonies stands to have profound implications throughout the food and agriculture enterprise. In collaboration with the U.S. Environmental Protection Agency, university scientists, and private-sector partners, the Pollinator Health Initiative will make advances in our understanding of the complex factors—like poor bee nutrition, loss of forage lands, parasites, pathogens, and the exposure to pesticides—and provide a path forward to arrest continued pollinator losses.

Mr. Chairman, despite significant efforts by recent farm bills and annual spending bills to restructure, reorganize, reauthorize, or even repeal provisions, agricultural science in United States is at a crossroads. It is no secret that American research needs additional resources.

This underinvestment will have grave consequences. Projections by ERS compare the scenarios where public R&D investment remains the same in nominal terms *versus* a world where public R&D investment has increased by just one percent each year in real terms. ERS estimates that a one percent increase in investment each year until 2050 yields an 80 percent increase in agricultural output.

As well, resources are not always monetary. In May 2015, the results of an employment outlook report developed by Purdue University, with support from NIFA, revealed a deep chasm between the demand for college graduates with a degree in agricultural programs and jobs available. The study found that annually, there are 57,900 jobs in food, agriculture, renewable natural resources, and environment fields in the United States. Further, the study found that there is an average of 35,400 new U.S. graduates with a bachelor's degree or higher in agriculture related fields, 22,500 short of the jobs available annually. However, grants provided by NIFA help to address these issues by assisting educational institutions fix shortfalls in curricula design, material development, instruction delivery systems, student experiential learning opportunities, scientific instrumentation for teaching, and student recruitment and retention.

Mr. Chairman although REE has made significant strides, there is still much to be accomplished. Our storied legacy of discovery, innovation, and international leadership in agricultural research, education and economics is in jeopardy by insufficient investments in both money and minds. This is a challenge we must all rise to meet and I look forward to redoubling our efforts together in the coming years. Thank you.

The CHAIRMAN. Well, thank you. I appreciate it. Again, I appreciate you being here.

Ms. Picanso, the RMA and FSA collect a great deal of data as they do their work on the title I programs as well as crop insurance. I mean the actual data reference to county-level information. Can you talk to us about efforts at how you review the data that you collect year in and year out? How have you morphed those or reduced those as a result of data that is collected elsewhere so that you don't have duplication of efforts. Can you talk us a little bit about data collection and how you keep vetting your data to make sure you have the most recent current data that you need?

Ms. PICANSO. Yes, sir. We collect data via surveys of farmers and ranchers and agricultural businesses, and we have over 400 reports

we put out every year. So we are constantly collecting data on crops, livestock, prices, production, grain stocks, an assortment of things. A lot of the statistics that we do collect are in support of USDA programs, such as FSA and RMA and are widely used by them.

The CHAIRMAN. I understand that, that you collect.

Ms. PICANSO. Right.

The CHAIRMAN. But do you look at what you are collecting *versus* what the other agencies are already collecting so that if RMA, for example, is collecting all the necessary data collected for county-wide information, do you need to also collect against that county or could you use RMA data?

Ms. PICANSO. We do use RMA and FSA data as administrative data, but our surveys are as of the first of the month. In most cases, their survey data, their data they collect from farmers does not coincide with the timeline where we are required to produce estimates as of the first of the month. So even though we can use their data, we have to supplement with surveys of farmers and ranchers in order to get a statistically-reliable estimate as of the first of the month.

The CHAIRMAN. Give me a sense of what you think that your reports can move markets in the data that you are collecting, particularly those monthly reports that you are talking about. Can you talk to us a little bit about your efforts to make sure you are using the very best information available, as new techniques evolve, those kind of things to make sure that whatever it is you report that potentially could move a market in the interim is based on as good of information that you would have?

Ms. PICANSO. Yes. We are constantly updating our statistical methodology to be sure we have the most up-to-date statistical models and methodology. We are constantly looking for ways to use more administrative data so we aren't burdening the farmers and ranchers as often as we have in the past. But with the increasing demand for data, we are asked to do more and more surveys; and we are also asked to do a lot of publications down to the local level, which means we have to increase sample sizes in order to get the data, which involves contacting more farmers.

And as far as the volatility in the reports, our reports are as of the first of the month. We usually don't release the report until about the 10th. So sometimes between the first of the month and the 10th of the month, there may be a weather condition that occurs and our estimate may be a little different than what the analysts are predicting, and that is usually when the markets either go up or down.

We also release data in conjunction with the World Agricultural Outlook Board, which is international data. So sometimes when the reports are released, it isn't the U.S. data that is affecting the markets. A lot of times it is an international situation that can occur as well.

We do track this, though, and how many times prices go up after a report and how many times prices go down and then how many times they stay the same; and it is usually about 45 percent of the time they go up and about 45 percent of the time they go down and

about ten percent of the time they stay the same. So it does even out over the course of time.

The CHAIRMAN. All right. Thank you.

Under Secretary, you mentioned a small increase in research would have a dramatic increase in ag production. Can you reduce that to dollars for me, because you spend about—total of your agency is about \$2.5 billion each year. That is all in. That is not just research. That is everything. But what—could you reduce the—help me understand the magnitude of money that you are talking about.

Dr. WOTEKI. Yes. So the report that I am referring to is an analysis that ERS has done that has shown that projecting out to mid-century, when the expected food demand is going to demand an increase in productivity not only in the United States, but around the world, that a one percent real increase in the appropriation going to agricultural research will result in a productivity increase of about 80 percent over that period of time.

The CHAIRMAN. So there is a direct line between dollars spent and productivity increases and research?

Dr. WOTEKI. Historically that has been the case.

The CHAIRMAN. Okay. So it is just—okay.

Dr. WOTEKI. And increasingly, in the United States, in the past decades, our increases in agricultural productivity have come directly from scientific innovation, and our farmers know how to implement that. So it is essentially a combination of research, innovation, and education.

The CHAIRMAN. Yes. It is not all at the Federal level. There is a lot of private research done as well, scientific dollars that are spent as well, right?

Dr. WOTEKI. That tends to be more commercialization of—

The CHAIRMAN. The basic science.

Dr. WOTEKI.—basic science that the private-sector is doing.

The CHAIRMAN. Okay. Ms. Fudge, 5 minutes. You are the ranking Democratic Member on the Committee today.

Ms. ADAMS. Adams. I think you said Fudge.

The CHAIRMAN. Oh, I am sorry. Ms. Adams.

Ms. ADAMS. Thank you very much, Mr. Chairman, and I thank you all very much for being here.

My first question is to Dr. Ramaswamy. Is that the correct pronunciation? As many of you know, North Carolina A&T State University is my alma mater and an 1890 institution found in North Carolina and the 12th District that I represent. It is my understanding that NIFA is conducting an investigation into 1890 institutions not being able to offer the full level of matching funds needed to qualify for grants available through land-grant institution and research programs.

And I would appreciate it if you could share any comments regarding the 1890 institutions not submitting the sufficient matching funds for these programs, if you would do that.

Dr. RAMASWAMY. Thank you very much, Mr. Chairman, for having us here. And Congresswoman Adams, thanks very much for that question. And as you know, you participated in this room right here, and thanks to the chair here for inviting our 1890s and the co-chair, Collin Peterson, as well. Congressman Peterson to invite

our 1890s institutions to come here and to highlight the wonderful work that is undertaken in the area of food and agriculture in those institutions, the 19 institutions across America.

And so, indeed, to your point, some of the institutions are finding it difficult to have the state matches. So for every dollar that USDA provides, the National Institute of Food and Agriculture provides, there is a requirement that there is a dollar that is matched from other sources.

And we say that these other sources, based on what Congress has told us, we say that these other sources are non-Federal sources. So they could be from the state, they could be from the sale of commodities, they could be from donations given to the institution, *et cetera*, but not from tuition that is charged to students. Tuition dollars cannot be utilized for that match.

And it turns out that a number of institutions, 1890s institutions are not able to get their matches, and again, Congress has said that the Secretary is vested with the authority to do a waiver up to 50 percent. So an institution can contact us, and they can ask for a waiver of up to 50 percent, and there are three reasons under which we do provide the waiver, one of which is a natural disaster such as a hurricane or tornado or some such thing; second is financial exigency at the state or at the institutional level; and the third is that they make an honest effort to find the resources to get the match.

And we get these requests coming in from all the institutions, and we look at them, and if they are meeting at least one of those criteria, we will go ahead and provide a waiver of 50 percent.

So if they come in with "50¢" in quotes, we provide \$1 of the Federal match. If they come in with less than 50¢, let's say they come in only with 40¢, then we only provide 90¢, and the remaining 10¢ is available to be provided to other institutions, providing they can come up with a match as well.

So that is the sort of the situation that we are in. A number of institutions do come in with waivers, and what we have done now is to—we have staff that is going to be investigating the situation in the 18 states where we have the 19 institutions, and not just the 1890s institutions. We are also going to look at the 1862 institutions as well. Because we want to know the entire construct as to how these land-grant universities are dealing with the matching requirement that we have, and we hope to undertake that analysis in the next 2 or 3 months or so, the data gathered and there is an analysis done, and then we will develop a report, then go through the clearance process within USDA and make that available.

And in that final report that we provide, we will also, depending on what we learn, make some recommendations as a path forward.

Ms. ADAMS. Okay. Let me quickly ask another question—and thank you for your answer. What grant opportunities are forthcoming related to supporting small scale minority or women producers?

Dr. RAMASWAMY. There are a number of funding opportunities that will be coming here with the start of the new fiscal year, and we hope that this body here and the rest of Congress will indeed provide us the funding necessary.

And we do have several funding opportunities for women and minority farmers and small farmers as well that are part of the opportunities we provide. And if you wish, I can send you separately a listing of the ones that we have done in the previous year.

Ms. ADAMS. Yes, sir, I would appreciate that.

Thank you, Mr. Chairman. I am out of time.

The CHAIRMAN. Thank you, Ms. Adams. The gentlelady's time has expired. Mr. Crawford, 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. This is in general to whoever might want to respond to this. A lot of our growers obviously rely on USDA estimates of commodities supply and demand for market information and outlook. What role does ERS play in the development of the monthly WASDE reports, and how is that involvement distinct from the efforts of other services of the USDA?

Dr. BOHMAN. The Economic Research Service, has long played an important role in USDA's commodity outlook program. It is over 50 years at this point, and our expertise is to bring in the economic knowledge. We are all economists, how the markets work. We also have research behind the economists to participate in these committees, and we have data systems that are used to produce supply, demand, and utilization tables.

So we are some of the sort of intellectual horsepower behind the committees and draws on our infrastructure. After the WASDE report comes out every month, ERS produces newsletters for the major commodities that show the reasoning behind the WASDE estimates, and this is a unique contribution.

A final element that we produce is a periodic report such as on China's cotton stocks, U.S. trade with Cuba, or the implications of lower energy prices for the farm sector which document the modeling and economic logic behind the WASDE reports.

Another contribution ERS makes is leading USDA's 10 year agriculture baseline. We really drive that process in collaboration with the Office of the Chief Economist.

Mr. CRAWFORD. Okay.

Dr. BOHMAN. We are committed to continuing excellence in this area.

Mr. CRAWFORD. I appreciate that. I heard a lot of complaints from growers back home that the recent WASDE report had a huge impact on the price of soybeans in particular. Apparently, Arkansas average yield forecasts are published at a much higher rate than anyone is even capable of at this point, so considerably higher than record yields.

Can you walk me through what controls you might have in place to ensure accuracy because there seems to be a huge difference of opinion on what our producers back home are telling us that they are expecting *versus* what was published.

Dr. BOHMAN. Well, ERS analysts bring to the table, along with analysts from the Farm Service Agency, from NASS, from the World Board itself, a process where they have data from the past, they have the NASS statistics that are about to be released, and they also have expertise from talking to other people in the industry.

So they bring the best knowledge to produce these forecasts. They regularly go back and check the accuracy of their forecast, the

ones that are predicting, how do they do when the market clears in the future, and so there is a robust system of checks and balances, but I will turn to my NASS colleague because they are a big part of the process.

Ms. PICANSO. Yes. In addition to getting yield data from producers on surveys, we also go out into the fields, and we actually do objective measurements, and the objective measurements on the crops are combined with the producer yields and put into models, and that is how we come up with our forecasts.

Mr. CRAWFORD. Okay. I don't mean to cut you off, but I just have been kind of trying to be up to speed on my data here, and University of Arkansas cooperative extension service, which most states rely pretty heavily on their land-grant institutions, cooperative extension services, and those economists.

And our economist at the University of Arkansas said USDA's report was extremely bullish, and we are basing that on a pretty big increase year over year that the farmers in our district don't think they are capable of meeting that level, and so let me move on to the next thing.

Again, we have heard these repeated concerns from growers in the industry about the accuracy of these crop progress reports and the impact that those reports can have on market prices, particularly for corn and soybeans. Can you talk about the methodology that helps you get there, and throughout the growing season, what efforts NASS has undertaken to review its methodologies for yield estimates, and what changes, if any, you think, need to be made?

Ms. PICANSO. I am not aware of any changes that need to be made, but we do use methodology, like I said before, with our models. We actually do get out into the field once the crops starts producing fruit, and we do measurements, we take weights of the fruit, and that combined with what the producers are telling us is how we get our yields that are published every month.

And as the season goes on, the data we get on the objective measurements become more accurate because, sometimes, depending on the maturity of the crop, which go out September 1, October 1, some years the crop is more mature than others, and the more mature the crop is, the more reliable our actual counts of the objective measurements are.

So in years where the crop matures a little early, we tend to do better on the yield forecast, but we do have a publication that comes out every year that compares all of our forecasted yields to the final yield, so it does show the accuracy. It is available on our website. We also host dozens of people each month into our actual ag statistics board process where they go through and see how all of the yields and acreage and production are actually developed, and it is really a pretty impressive process with all of our statisticians.

And if you sit down and go through the process, you will realize that we are using sophisticated models to come up with the data. Some people think we are just guessing or maybe we are just basing it on a handful of reports, but we do get 75 to 80 percent response on our surveys as well as our objective yield to complement it, and we do use some satellite data towards the end of the growing season as well.

Mr. CRAWFORD. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired.

Mr. Scott, 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you Mr. Chairman.

Dr. Ramaswamy, how are you? It has been a while.

Dr. RAMASWAMY. It has been a while.

Mr. AUSTIN SCOTT of Georgia. With regard to ag research, we talk a lot about research, but would you speak to the value of extension along with the research?

Dr. RAMASWAMY. Indeed, Congressman Scott, and good to see you again, sir, after several months now. And cooperative extension service, which we celebrated the 100th anniversary, as you know—

Mr. AUSTIN SCOTT OF GEORGIA. Yes, sir.

Dr. RAMASWAMY.—last year, and you hosted a hearing for that particular event as well, is the very American approach to translating knowledge into innovations and solutions to address problems people are facing. And this is the only country on Earth that doesn't dissuade the connectivity between the research discovery enterprise and the translational enterprise and then to deliver it to the end-users. No other country has been able to do anything like it. And I truly believe that our nation's preeminence, global preeminence is, in large measure, that ability to translate knowledge and to deliver to the end-users.

And we have a history of it over the last 100 years, and when we look at the situation now and as we project out, as we go forward as well, we need this sort of ability to translate and to deliver that knowledge more so today than we have ever needed it before; in part, because of the burgeoning population with pressures that we have; in part, because our ability to ensure food security, nutritional security specifically.

And in the context of diminishing land and water resources, changing incomes and diets, *et cetera, et cetera*, it is driving the need to come up with better more efficient ways to produce food and to get it to where it is needed and to address those problems as well.

Extension is absolutely a must if we are to be able to achieve what we need to achieve.

Mr. AUSTIN SCOTT of Georgia. Things seem to change faster now than they have in the past with regard to chemicals and pests and other things, and certainly there is a tremendous amount of information and there is even more misinformation out there, and so that extension aspect, along with the research, is something that I don't think we talk about extension enough.

Dr. RAMASWAMY. Indeed.

Mr. AUSTIN SCOTT of Georgia. But thank you for that.

One other question I have. The 1890s land-grant universities, there are reports that they have not been receiving as much funding as some of the other universities. What suggestions do you or anybody else on the panel have for us in correcting that so that 1890s universities received the funding?

Dr. RAMASWAMY. Indeed. We do have a situation where the 1890s institutions are not being able to meet the matching requirement that we have the dollar-for-dollar matching requirement that



we have and they ask for a waiver from us, 50 percent waiver, and based on three criteria, natural disasters, financial exigency, or that they are making a commitment to find the resources, then we give them a waiver. And we have developed that path forward, and it is a challenging situation for them.

So what we have embarked on right now is to undertake a complete detailed data gathering and analysis in all 18 states for the 19, 1890s institutions and their 1862 counterparts. So we don't want to just go and find out what is the situation with the 1890s. We need to know what is happening in 1862s, use that to develop a path forward.

Mr. AUSTIN SCOTT of Georgia. So I am down to 1 minute. I want to follow up on that if I can, sir. So if I understand you, a 50 percent waiver was granted?

Dr. RAMASWAMY. Yes.

Mr. AUSTIN SCOTT of Georgia. So is that in the difference in what they—the 50 percent is the difference in what they would have gotten had it been matched and what they did get?

Dr. RAMASWAMY. Indeed. So for every dollar, they are only able to come up with 50¢.

Mr. AUSTIN SCOTT of Georgia. Right.

Dr. RAMASWAMY. That means they are short 50¢.

Mr. AUSTIN SCOTT of Georgia. Right.

Dr. RAMASWAMY. And that prevents them from deploying the kind of research that they need, deploying the kind of extension they need, *et cetera*.

Mr. AUSTIN SCOTT of Georgia. I am interested in suggestions on how we resolve that. That is something that Fort Valley State is actually just outside my district but something that is important to a lot of the people that are in my district.

Dr. RAMASWAMY. Indeed. I met with the Congressional Black Caucus staffers and other staffers as well and shared with them this process that we have just embarked on, and we hope to get it completed and come up with an analysis and a path forward on how we might address this, so—

Mr. AUSTIN SCOTT of Georgia. Would it be possible on some of these to grant them an absolute waiver instead of the 50 percent waiver?

Dr. RAMASWAMY. No, sir. You would not allow us to do that. Congress does not allow us to do it.

Mr. AUSTIN SCOTT of Georgia. Thank you. Thank you, Doctor. Good to see you again, and thank you for your work.

Dr. RAMASWAMY. Indeed. Thanks so much.

The CHAIRMAN. The gentleman yields. Just following up, Dr. Ramaswamy, how many Federal dollars are not claimed as a result of lack of match?

Dr. RAMASWAMY. We believe approximately about—well, for every dollar that we send, if they don't—

The CHAIRMAN. The question is, I understand that the state or the private-sector has to come up with their share, but of the Federal dollars available to be matched against, how many of those Federal dollars are not matched?

Dr. RAMASWAMY. I would like to get back to you on that with a specific answer, Congressman Conaway.

The CHAIRMAN. Okay.

Dr. RAMASWAMY. Because I can tell you approximately what the numbers are, but I want to get back to you—

The CHAIRMAN. All right.

Dr. RAMASWAMY.—specifically with the numbers.

The CHAIRMAN. All right. There are some Federal dollars that aren't claimed?

Dr. RAMASWAMY. Yes.

The CHAIRMAN. Okay. That would be the problem.

Dr. RAMASWAMY. Absolutely.

The CHAIRMAN. You want to make sure that whatever Federal dollars we do have available to them, that gets claimed, and then the private-sector or states have to come up with their share.

Dr. RAMASWAMY. Sure.

The CHAIRMAN. Mr. Allen, 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman, and thank you for being with us today.

In looking through the opening comments, I was interested, obviously, in the 80 percent return on the invested dollars as far as the—and also you mentioned to ensure farm profitability. As you probably know, the farmers are going to be going through a difficult time this year relative to commodity prices, and corn is down. I mean, everything is down.

I would appreciate whatever you would have to say as far as what research we need to do to figure out this problem.

Dr. WOTEKI. Well, thank you, Congressman, for asking about the return on investment as well as what are the implications for farmers today, because I know that is constantly on the top of our mind.

There have been a variety of studies that have been done over the years about, well, what is this investment in ag research actually returning to the economy. And a recent analysis by Dr. Phil Pardy at the University of Minnesota has taken all of these studies together and re-analyzed them to look at what is the annualized rate of return on the research investment in agriculture science, and this recent analysis indicates that that return on the investment is about ten percent, which is pretty good.

And it is also similar to returns on investment from other areas of science. Agriculture tends to have more historical data associated with our scientific investment, so there has been quite a bit of this type of economic analysis done.

To your question about what does that mean for the farmer today. It means a lot of different things. Agriculture is so diverse in this country, the week before last in Salinas, California I met with a group of lettuce and leafy green farmers, and they are really worried about water issues, and they are also constantly battling new diseases that have emerged. And from research that ARS has done over the years, just over this past year, they have introduced about a dozen new lettuce varieties that are resistant to downy mildew, a big problem in the lettuce industry.

For the citrus industry, they have introduced a new root stock that is resistant to the citrus greening disease. We have also, through the investment that we have just been talking about that NIFA makes to the land-grant universities, provide funding that supports cooperative extension that allows these wonderful re-

search universities to be able to prepare and actually provide to farmers a synthesis of what we know about the problem that they themselves are facing.

So there is a variety of different ways that farmers are getting a real return on investment right now.

Mr. ALLEN. Well, I mean, we are growing lettuce in Burke county, in Georgia, south Georgia, so I know a little bit about diverse—we are getting more diverse in our farming in our districts.

And our yield per acre, we are extremely productive but it seems like the marketplace or the commodity price or the investment side is not cooperating from the standpoint we have this incredible ability to produce this great cotton, this great corn, and everything else, but then again, from the world standpoint, when we go out and price this in the market, we are getting killed.

You have public-private businesses working together and you collaborate, you get a lot of information and that sort of thing, the bottom line is it is great to produce, but then you have to get something for what you are producing. Have you all done any research on that, as far as how we are much more productive than the world in our agriculture, but for whatever reason, that has got to relate to the bottom line?

Dr. WOTEKI. Well, we agree with you that American agriculture is enormously productive, and we are, remember, the research arm of the Department. We do have in the statistical agencies, NASS and ERS, the capability for generating the kind of information that will provide a lot of insights into markets and that also are very useful to you in making policy decisions.

There are, through the Economic Research Service, in particular, a variety of different studies that shed some light on these questions of U.S. competitiveness in the marketplace, and I would commend those to you.

Mr. ALLEN. Okay. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. Rouzer, 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman.

Dr. Jacobs-Young, my question would be most appropriate probably directed to you, although any of you that might have some insight, feel free to share. I am interested in avian influenza. In the southeastern part of the country, obviously, we are bracing for that potential possibility this fall as the birds migrate south. Can you tell us where we are in terms of development of a vaccine or vaccines that are available, what you are hearing from other countries as it relates to that or any interaction that you are having with other government agencies as it relates to this issue?

Dr. JACOBS-YOUNG. So thank you for that question. Absolutely. Right away, when we had the issues in the Midwest with avian influenza, ARS partnered with APHIS and began to redirect our scientists to help them, first of all, determine what we are dealing with, what type of strains we are dealing with. We developed the diagnostic test, and then we began right away on work on a vaccine to address the two strains that we have been facing.

And so ARS has developed a vaccine, and we are now working with the Department as they determine the potentials for commer-

cialization of that vaccine, which addresses the two strains that we experienced this year.

Mr. ROUZER. How much of that vaccine has been produced? Is production of it an issue at all in terms of quantity of birds that might be affected?

Dr. JACOBS-YOUNG. It has not been transferred to a commercial partner as of yet for production, and so that is part of the negotiation. As my colleague just said, we are the research side, we develop the science, and so we work with our partners to negotiate the commercialization.

Mr. ROUZER. I'm curious just how much vaccine would be needed. That is really my question. That is just a question I am curious about, if anybody knows?

Dr. JACOBS-YOUNG. We do not. At this time what we can certainly submit some information for the record on what we think would be the approximate need for the country.

Mr. ROUZER. Switching gears, Madam Under Secretary, I am a big picture guy, and it was mentioned earlier in the hearing that we will have a population of 9.6 billion by the year 2050. It is hard to believe it is already the year 2015, and according to my little Google search here, we have 7.3 billion people in the world today. Of course, by 2050, in addition to a couple billion more, there will be a lot less land to produce our food and fiber on.

What is our long-term strategy? What do we need to be doing now in terms of the basics and as relates to our research infrastructure and everything else to meet that demand?

Dr. WOTEKI. Well, we need to take a two-pronged approach towards our research activities to really be able to face that demand for food, and as I mentioned in the testimony, all of the other services that are going to be demanded of agriculture; clean water, contributing to the bioeconomy, and beyond that, being sustainable into all of the future generations to come after that.

So the two-pronged approach is, first of all, to focus on agricultural productivity and to do the kind of fundamental research that is going to provide us with insights into how we can increase productivity, given less inputs, less land, less water, perhaps less fertilizer and to be able to produce a wide variety of health promoting foods with that type of input.

The second prong is to focus on agricultural systems at the landscape level, and how can we be promoting the long-term thinking as well as the adaptations that our rural communities are going to have to make to support these systems of integrated livestock and crop production that will be long-term sustainable.

So we are approaching the research towards increasing productivity by following those two pathways. If you look at the way that we have structured our research priorities, they reflect that, so that is, very briefly, how we are looking to structure our agricultural research program to meet all of those demands.

Mr. ROUZER. Thank you, Mr. Chairman. I see my time has expired.

The CHAIRMAN. The gentleman's time has expired.

Mr. Abraham, 5 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman, and I thank the panel for being here.

Dr. Jacobs-Young, just go back to the avian influenza vaccine. I am from northeast Louisiana. We have large poultry farms in that area, and we are in the season where ducks and geese are migrating down as we speak.

You say ARS and APHIS, you identified the two strains, got the vaccine spooling up. Your best guess, best estimate as to when it will be turned over to commercial buyers that will make this vaccine and what are the hurdles preventing that now? Why isn't that vaccine already being produced commercially, because going to Mr. Rouzer's point on his question, we are going to need hundreds of thousands, if not, millions of doses of this vaccine?

Dr. JACOBS-YOUNG. All right. So thank you for the question. So, sir, what I do know is that we are currently in negotiations to identify a commercial partner.

Mr. ABRAHAM. What is holding—I mean, do you expect that to happen pretty quickly? Time is running out on this year.

Dr. JACOBS-YOUNG. Yes. That is a good question. I know that they are in conversations, and I know that the urgency is very, very much appreciated right now. We are all very concerned about being prepared, and so with the temperatures, and I understand that there are some conditions right now that we have some window to work with a commercial partner to be prepared, but the best I could do is get some information for the record to get back to you.

We are working with APHIS, and so they are our partner in this.

Mr. ABRAHAM. Are there certain commercial entities that are better spooled up, better to facilitate making this vaccine, and is that under part of the negotiation as to who can do it the fastest and the best?

Dr. JACOBS-YOUNG. Well, when we develop vaccines in ARS is typically we try to develop vaccines that can be retrofitted into existing pharmaceutical vaccine-type production processes, and so we have done the same thing in this case.

At this point, the best answer I can give you is I can give you some information for the record. We are the science agency, we do not do the negotiations with the commercial partner.

Mr. ABRAHAM. Okay. Let me switch gears a little bit, but I will stay with you. Where does ARS—give me an update on y'all's relationship at MARC,

Dr. JACOBS-YOUNG. Okay. Fantastic.

Mr. ABRAHAM. How is that doing?

Dr. JACOBS-YOUNG. So ARS has really had an opportunity to strengthen the infrastructure for our animal research inside the agency. Should I talk a little bit about the panel review, the external panel review?

So we have had an external panel review at MARC. It has been published and shared with many Members on the Hill. In that report, they found no evidence of animal abuse and made some recommendations on things that we can strengthen at MARC, and we have taken those recommendations, and we have implemented each one of them.

Mr. ABRAHAM. That is a voluntary reporting to the institutional animal center, right?

Dr. JACOBS-YOUNG. The report did not recommend voluntary reporting to the Animal Welfare Act, but we are working with APHIS to voluntarily have an inspection register each one of our animal research locations, and we have already started a pilot program. APHIS has already inspected, I believe, two of our locations, and so we are working with APHIS to determine how this would be implemented. They do this with the National Zoo, and there are other Federal properties that they partner with, and so we are working with them to register each one of our locations.

But we have identified an animal care ombudsman here at headquarters so that if anyone had any concerns about animal welfare, that they could contact that individual anonymously, confidentially. We hired an officer, an animal care and use officer for ARS.

What the panel found is that we had adequate policies and procedures. There just wasn't one person that had the responsibility to ensure that they were being followed across this huge centralized agency, and now we have that person in place.

We have implemented formal training for all of our employees involved in animal research and some of our administrators. Those will all be completing the training. The first phase really focus on the IACUC members, and so those IACUC members have been trained, and we have also updated our policies and procedures and our Memorandum of Understanding with the University of Nebraska because we have—if you remember, that location has 50 percent ARS employees and 50 percent University of Nebraska employees, and so we clarified some things and really cleaned up our partnership with Nebraska in terms of this brand new MOU.

So there has been a lot of work under way. That panel went on to review some of our other locations. So they had an opportunity to review four other locations, including several in Georgia, down in our Athens location. Once again, that panel came back saying that they found no evidence of animal abuse and that they were impressed with our care of our animals, and so we are awaiting the OIG investigation and expecting an interim report very soon.

Mr. ABRAHAM. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. Yoho, 5 minutes.

Mr. YOH0. Thank you, Mr. Chairman. And I appreciate everybody being here this late afternoon.

Dr. Woteki, you were saying that the funds research to take these advancements in the research you are doing to the consumer, to the farmers, to increase production—I am adding this—decrease chemical usage, conserve resources, feed millions here at home and around the world, I mean, that is what we are doing with our research, and you are a researcher. Dr. Ramaswamy, you are a researcher, and Dr. Jacobs-Young, you research. Dr. Bohman, do you do research also? And Ms. Picanso, is that correct?

Ms. PICANSO. Yes.

Mr. YOH0. That is good. Do you do any research?

Ms. PICANSO. We do.

Mr. YOH0. You analyze the research.

Ms. PICANSO. We have a small research—

Mr. YOH0. Okay. Well, first, I come from the great State of Florida, and you are well aware of citrus greening, and I appreciate you

bringing that up. And I know you have seven initiatives that you are working with, and I just want to thank you from our state. My Governor, Rick Scott, he wants to thank you, Commissioner Adam Putnam, and our producers for what you have done.

My question is this. USDA funds and conducts researches at our land-grant universities and other places, that produces extremely important research for the advancement of agriculture, veterinary science, and it winds up feeding people around the world, and the advancement of medicine.

But yet we get researchers that call us—I can't tell you how many times they call us, and they are getting hammered because of FOIA. In fact, I have a letter right here from a doctor, and I won't mention his name, but he says I am one of 43 scientists that have been attacked using public records law. We are forced to surrender our e-mails in the name of transparency. However, our own words are distorted, twisted, and our reputations harmed when we did nothing wrong.

Now I have been FOIA'd by so-and-so, and he goes on to say, should we allow activists and pseudo-celebrities to have access to our records with the sole purpose of causing reputation harm for an agenda based on personal views, beliefs, or hyperboles, and the pseudo-science *versus* the science that you are supporting and the American taxpayers are funding?

What is your thoughts on that, and what can we do? Because we have these researchers doing all this work, but they are not going to come out and talk about it. And citrus greening, one of the things on the table is a genetically modified orange, and 10 years ago there was a genetically modified papaya that has a ringspot virus, and they got rid of it 10 years ago. EPA has released it, but nobody has the political will to say it is okay.

But yet we are funding this kind of research, and why are we funding this kind of research if we don't have the political clout and the research of you guys standing up? So I want to hear your thoughts on that, please.

Dr. WOTEKI. Well, I have been following the recent controversies that have involved some of the faculty at the University of Florida, I was visiting last week with the Dean of Agriculture at Iowa State University, some of their faculty have also been FOIA'd, and quite frankly, it is a situation that we in the government research agencies also face all of the time with frequent FOIA requests.

Mr. YOHO. What I would request from you is to come up and help us come up with a policy where we need to protect it. We had an 18 year old student from one of our universities, her name was put out there, her address and all that, and I can just see it squelching the research, and the scientists won't back up to advance this. So go ahead, I cut you off. I am sorry.

Dr. WOTEKI. Well, what I was going to go on to say is that we do live in a very open society, and one of the premises of our government is transparency. So the open access laws at the state level and the Federal level are being now being used in some ways that perhaps make us uncomfortable and also make it difficult for us to respond.

But I do believe that one of the best ways for the scientific community to operate in this kind of environment is to continue to be

open about our science, to participate and have activities like cooperative extension that can provide the kind of messaging off of the science to the general public about what this investment is actually bringing to them.

Mr. YOHO. And that is thing that we need to do, and if you could come out, when you see these attacks, just come out with a response from the USDA and saying, "No, this is the facts behind the science, and the science is good, and it benefits all." I appreciate your time.

Mr. Chairman, I yield back.

Dr. WOTEKI. Thank you.

The CHAIRMAN. The gentleman yields back.

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman. Thanks to all the members of this panel. If there is probably two words that define agriculture today, and it is *science* and *technology*, and so I really appreciate the research, evidence-based research, the information, the data. That is the other thing.

You know, we need good data. If you don't have good data, I see that all too often here in Washington, we are making decisions based on myth or a notion and the research and the data that is provided.

So my question for you, and I struggled with this my first term. I saw a number of different research prospects that the taxpayers funded, but it seemed like they didn't go anywhere. They may have gotten great outcomes, but they sat on the shelf and it seemed like it maybe contributed towards tenure, but the mindset was, and I get it, especially our university-based research at times, it is once you do a great research study, it is time to do the next one.

And so what are we doing in terms of assuring that we take, what I think are some pretty exciting outcomes and findings, from much of the research that taxpayers pay for, how do we make sure that is being commercialized, that the outcomes are actually going for the public good, and how can we improve that, because I actually believe that whatever we are doing now, we can raise the bar on that and improve it?

Dr. WOTEKI. Well, that has already been a particular interest of ours to increase the commercialization of research findings, results, products of our research, and also to use a lot of the research that is done to inform the program and the policy decisions that other parts of the Department are making.

The research can also find many applications in improving the decisions, the Food Safety Inspection Service, or FSIS makes as well. But on commercialization side, we talked a little bit about already about ARS. They do have an Office of Technology Transfer that actively seeks to patent and then license the research that ARS is doing, and they are also working to develop a more entrepreneurial skilled scientific workforce within ARS.

NIFA, in the work that it supports at universities, has also been very much promoting the idea that universities should be trying to commercialize the results of the research investment that the agency makes, and I know both Dr. Ramaswamy and Dr. Jacobs-Young can give you some specific examples of programmatic activities they have under way.



Mr. THOMPSON. That would be great.

Dr. JACOBS-YOUNG. Yes, so just some quick examples, things that will resonate with each of you, especially if you have children and you spend some time at McDonald's. If you noticed it now, the Happy Meal comes with fresh apples. That technology was developed by ARS that permits children to enjoy those fresh apples and they are not brown and they still taste crispy. I have had them a couple of times myself.

DEET, Lactaid, mashed potatoes, those flaked potatoes, the ability to have frozen foods in your grocery stores, all of those technologies began at ARS. So part of our entire mission is to deliver the innovation, and so the office of technology transfer, as Dr. Woteki said, is critical.

On last year alone, we filed 110 patent applications. We had 28 licenses executed. So it is just a part of who we are. We don't patent the patent, so some people say why don't you have more. We only patent when it is necessary to disseminate the information and get it out there. We released 348 new varieties of plants last year. So the entire goal is to deliver it, and so we have a few things to show for the work.

Dr. RAMASWAMY. And if I might add, Congressman Thompson.

Mr. THOMPSON. Please.

Dr. RAMASWAMY. Indeed, the production practices that we follow today, for example, no-till is the result of the research that was undertaken in this country, or the development of value-added products from whether it is corn or sugarcane or cotton or whatever else we have, those are the result of the research undertaken by ARS and land-grant university scientists with the funding that we provided.

And water use, for example, that is an existential threat, as I like to say, and already the work that has been done at multiple land-grant universities and ARS labs has resulted in billions of gallons of water being saved right now, so there are a whole bunch of examples that we can send you about the outcomes that are happening that actually are very impactful right now.

Mr. THOMPSON. Very good. Thank you very much.

Thanks, Mr. Chairman.

The CHAIRMAN. I thank the panel. Dr. Ramaswamy, you had a clarifying comment on the claiming of Federal dollars with respect to the matches?

Dr. RAMASWAMY. Indeed, Mr. Chairman. Thank you very much for that opportunity. Yes, so if an institution submits to us the waiver and it is less than the 50 percent waiver, so if it is less than 50 percent waiver, it is 50 percent waiver, they get the dollar from us, so there is no loss of those Federal dollars. But if they are asking for less than 50¢—or pardon me, they come in with less than 50¢.

The CHAIRMAN. Right.

Dr. RAMASWAMY. Let's say it is 40¢, we only give them 90¢, but there is remaining 10¢. We make that available to other institutions that can come up with that match as well.

The CHAIRMAN. Still within the 1890 school group?

Dr. RAMASWAMY. Yes, sir.

The CHAIRMAN. Okay.

Dr. RAMASWAMY. Only within the 1890s, and we try to make sure that we don't return these things to Treasury.

The CHAIRMAN. All right. I am looking forward to your study that would include both sets of land-grant schools and the impact there because I do think it is important, Dr. Woteki, as we look at ways to increase that small little piece of research you were talking about, that we are able to match up those Federal dollars at 100 percent from the private-sector, the states, whatever, that they recognize that they are getting a big bang for their buck.

This panel, in particular, is a great example of why we should have been doing this more often and the opportunity for you to share with us the great things that you are doing. We probably ought to reverse the role. Next time we will bring you guys in first next time and save Farm Service Agency for dead last, but I want to particularly recognize the Members who were here today.

Today is a day we would normally be home in our districts, working with folks and doing all that kind of stuff, and so the folks who came in today a day early will have a group in the morning that will be here. They are actually coming in a half a day early, but I want to recognize Members who showed up today to be a part of this, but thank you, the panel, for your staying all afternoon and being here.

I know it was logistically a bit of a challenge to get everybody up and down the street, and I want to thank you for that effort and the preparation that you did coming in here this afternoon. I think all of our Members will leave, particularly this panel, today, better informed as to what you are doing and why you are doing it, and I, for one, and I speak on behalf of the others on the Committee, I want to thank you, and let you know how much we appreciate the work that you do day in and day out to improve production agriculture across the spectrum.

So I would like to thank our witnesses, remind everybody we will pick up on Part 2 of our hearing tomorrow morning at 10 a.m. When we hear from the representative remaining four mission areas of USDA.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material, supplementary written responses from the witnesses to any questions posed by a Member. This hearing of the Committee on Agriculture is adjourned. Thank you, everybody.

[Whereupon, at 5:34 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

## SUBMITTED QUESTIONS

**Response from Alexis Taylor, Deputy Under Secretary, Farm and Foreign Agricultural Services, U.S. Department of Agriculture***Questions Submitted by Hon. Bob Goodlatte, a Representative in Congress from Virginia*

*Question 1.* Blender Pumps: We understand that USDA's Biofuels Infrastructure Partnership will be providing \$100 million in grant funds for the installation of biofuel blender pumps in 21 states. Considering that for the last 10 years, consumers have already been forced to "foot the bill" for the higher levels of ethanol blended into their gasoline, is it fair to ask them to pay another \$100 million in order to prop up the ethanol industry?

*Answer.* The U.S. Department of Agriculture (USDA) is undertaking the Biofuel Infrastructure Partnership because of infrastructure constraints limiting the distribution of renewable fuels. Approximately 80 to 85 percent of the 250 million vehicles registered in the United States are able to use fuels containing 15 percent ethanol, E15. Also, 14 million flex-fuel vehicles can use E85, which contains more ethanol than gasoline. However, most of the Nation's fueling pumps can deliver only fuels containing a maximum of 10 percent ethanol, E10.

The Biofuel Infrastructure Partnership is investing up to \$100 million, to be matched by states and private entities at a more than one-to-one ratio, for the installation of nearly 5,000 pumps offering higher blends of ethanol. USDA believes this infrastructure not only will provide consumers with cleaner fuels and more options at the pump, but also will expand markets for America's farmers and will boost rural economic growth and jobs.

*Question 2.* COOL: As you know, the House has passed legislation to repeal Country-of-Origin Labeling (COOL) for meat products, and the Senate is considering similar legislation. If COOL legislation is enacted into law, what would be the cost and timeline for USDA to implement the changes?

*Answer.* The time and cost of implementing legislation altering or repealing COOL would vary depending on the final legislation passed by Congress.

*Question 3.* Dairy: Average dairy margins in 2015 have been just under \$8.00—the highest coverage level available under the new Dairy Margin Protection Program. Have payments been made to producers enrolled at that coverage level, and if so what was the approximate total of those payments? How much has been deducted from those payments due to sequestration?

*Answer.* As of November 25, 2015, approximately \$648,782 has been paid, net of sequester, to dairy producers enrolled in the Margin Protection Program for Dairy (MPP-Dairy) at the \$8.00 coverage level for calendar year 2015. As required by Congress pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, MPP-Dairy payments approved in Fiscal Year 2015 are sequestered at a rate of 7.3 percent.

**Response from Philip C. Karsting, Administrator, Foreign Agricultural Service, U.S. Department of Agriculture***Questions Submitted by Hon. David Rouzer, a Representative in Congress from North Carolina*

*Question 1.* Administrator Phil Karsting, the Livestock and Foreign Agriculture Subcommittee has launched a review of food aid programs to identify ways to make these programs function more efficiently for both the American taxpayers and for the people around the world that they are designed to help while also continuing to help protect the proud legacy of food aid. Can you briefly highlight the role that USDA plays in providing food aid overseas? I understand that USDA administers some of its own food aid programs, but can you also explain USDA's involvement in implementing Food for Peace?

*Answer.* The USDA Foreign Agricultural Service (FAS) administers two food assistance programs, the Food for Progress Program (FFPr) and the McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) Program. USDA's FY 2016 Budget also proposed \$20 million in funding to take steps towards implementing the Local and Regional Procurement (LRP) Program that was authorized in the Agricultural Act of 2014 (the 2014 Farm Bill).

The principal goals of FFPr are to improve agricultural productivity and to expand trade of agricultural products in developing countries. To achieve these goals, USDA donates U.S. agricultural commodities that it procures commercially or that are in Commodity Credit Corporation inventory. Proceeds from monetization, the sale abroad of these commodities, fund FFPr agricultural development projects. Proceeds may also be used for humanitarian projects targeted at hunger and malnutri-

tion. FFPr projects range in scope from training farmers and public officials in animal and plant health systems, implementing new farming methods appropriate to the land, building or improving road and utility systems, establishing producer cooperatives, providing microcredit, and establishing agricultural value chains.

McGovern-Dole provides for the donation of U.S. agricultural commodities, and financial and technical assistance, to support school feeding and maternal and child nutrition projects in developing countries. The primary objectives of the McGovern-Dole are to reduce hunger and improve literacy and primary education, especially for girls. The program is projected to assist three million women and children worldwide in 2016.

Funds appropriated for LRP through McGovern-Dole in FY 2016 will support the production of local and regional commodities that can be procured to provide nutritional complements to U.S. commodities for school feeding programs and boost incomes of smallholder farmers. Local and regional procurement tends to be cheaper and faster than shipping U.S. commodities overseas, allowing the funding to reach more families, feed more children, and improve nutrition. While the program will focus primarily on development programs, the 2014 Farm Bill also authorizes the use of the LRP Program for emergency responses if needed, in consultation with U.S. Agency for International Development (USAID).

The Food for Peace Title II food aid program is administered by the Office of Food for Peace (FFP) in the USAID. USAID/FFP provides emergency food assistance to those affected by conflict and natural disasters and provides development food assistance to address the underlying causes of hunger. During an emergency response using Title II resources, USAID principally uses U.S. in-kind food aid, and a small amount of Title II is available for locally or regionally procured food, food vouchers and transfers to ensure communities have access to food. In FY 2014, USAID reached more than 31 million people in 32 countries with Title II resources.

USDA's Farm Service Agency coordinates the purchases of U.S. commodities and transportation provided under U.S. overseas food assistance programs. In FY 2014, 1.45 million metric tons of U.S. food assistance were delivered at a cost of \$1.81 billion.

USDA and USAID coordinate our food assistance programs to be complementary and reach the largest number of beneficiaries.

*Question 2.* Administrator Phil Karsting, what regions of the world is FAS prioritizing for the next 5 years?

*Answer.* FAS' global network of agricultural economists, marketing experts, negotiators, and trade specialists in Washington, D.C., and 95 international offices covering 167 countries support U.S. agricultural exports to all regions of the world. In FY 2014, exports of U.S. agricultural products reached a record \$152.3 billion, supporting nearly one million American jobs. FY 2015 was another exceptional year with U.S. agricultural exports of \$139.7 billion, the third highest level on record.

Over the next 5 years, FAS will use the full range of tools at its disposal to help expand market opportunities in all major regions of the world. Our global presence and our consequent flexibility to adapt to emerging situations are among our core strengths. Three geographic areas stand out for their short-to-medium term opportunities, and these are priorities for FAS as we move ahead.

*China.* U.S. agricultural exports to China have boomed from \$2 billion in 2001 (the year China joined the WTO) to over \$25 billion in 2014, but we see significant additional potential. FAS is strongly committed to that market and to simultaneously holding China to its existing trade agreement commitments. We currently have six offices in five cities in China, by far our largest overseas presence. FAS leads USDA efforts to engage with China, both bilaterally (via the Strategic & Economic Dialogue and the Joint Commission on Commerce and Trade, both of which are annual events in which Secretary Vilsack participates and multilaterally (within APEC [the Asia Pacific Economic Cooperation forum]), to promote agricultural biotechnology and other innovative technologies, thereby advancing global food security, fostering better climate adaptability, and paving the way for increased U.S. agricultural exports.

*The Trans-Pacific Partnership (TPP)* provides tremendous new opportunities for our stakeholders. TPP is a big win for U.S. agriculture in priority markets like Japan, Vietnam, Malaysia, and Canada. Not only does it create tariff preferences to keep us competitive, it also sets new benchmarks for trade agreements and will change the discussion on non-tariff issues like geographic indications, agricultural biotechnology, and sanitary and phytosanitary (SPS) measures. We see this agreement as precedent-setting. We expect our focus in the Pacific Rim to be on implementation of this agreement. We want to raise the bar on trade commitments to the level that the United States already meets through its own rules-based systems.

*The Transatlantic Trade and Investment Partnership (T-TIP)* holds out the promise of substantially improved access to the European Union (EU), one of the world's largest economies, whose consumers are among the highest per-capita income earners in the world. The United States is currently one of only a very small number of countries that does not have preferential access to the EU market under existing trade agreements or preference programs, and we need to level the field for our exporters competing in this lucrative market. In FY 2015, U.S. exports of agricultural products to the EU were valued at \$12.3 billion, making the EU as a whole our fifth largest export market. For the past 13 years, the United States has had an agricultural product trade deficit *vis-à-vis* the EU.

Around the globe FAS will continue to provide unbiased public reporting on the outlook for a full range of agricultural commodities, provide constituent servicing on the ground, advise and oversee our market development Cooperators, monitor and enforce our existing obligations under trade agreements, address SPS barriers to trade, and help developing countries establish science-based regulatory systems. Each year FAS develops specific strategies for each country covered by an FAS office. The strategies identify strengths, weaknesses, opportunities, and concerns there. These strategies enable FAS to quickly adapt to new conditions that might influence FAS' promotion of U.S. agricultural products.

FAS food aid and capacity building programs help developing countries increase their capacity to feed vulnerable populations and engage in international trade. In soliciting for Fiscal Year 2016 awards, priority countries for the McGovern-Dole program were identified in Asia, Africa, and Central America and the Caribbean. For the Food for Progress program awards, priority countries were identified in Asia, Africa, and Central America.

*Questions Submitted by Hon. Alma S. Adams, a Representative in Congress from North Carolina*

*Question 1. Local and Regional Procurement.* According to a 2013 Cornell study of three countries, food aid recipients were unconditionally more satisfied with LRP compared to U.S. shipped commodities. This sentiment was most pronounced among the poorest "less-well-off" recipients. What steps are being taken to ensure that commodity foods shipped are compatible with local tastes and dietary needs? If U.S. shipped commodities are not found to be compatible with local tastes and dietary needs, what steps are taken to address this problem and ensure beneficiaries are actually utilizing U.S. commodities?

*Answer.* With respect to USDA's programs, in FY 2013, USDA began offering enhanced guidance to applicants seeking funding through the McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole) related to nutritional and micronutrient deficiencies of intended beneficiaries. McGovern-Dole applicants are now required to provide a detailed explanation of how the requested commodity and ration size will help address these deficiencies. In addition, recipients of awards under McGovern-Dole choose the commodities that are donated under the program based on their in-country work experience and familiarity with the culture, including local diets. In the case of those commodities that perhaps are less familiar to the school children, the project implementers often will provide training to the beneficiaries on how to best use and prepare the newly introduced product in the local diet. Additionally, during the proposal review process prior to making an award, FAS seeks input from nutritionists and, often, local nationals, who understand the cultural food preferences.

As an example, in Nicaragua, a private voluntary organization called Food for the Poor, with the help of the United States Potato Board and the Fabretto Children's Foundation, reevaluated the school meal menu to find different ways to incorporate dehydrated potatoes, combined with local food resources. Over 600 parents and teachers were trained on proper storage, nutritional benefits, and preparation of dishes using dehydrated potatoes with local affordable ingredients.

The local communities responded well to the product, given its versatility and ability to substitute for corn to produce dishes similar to the local diet. Local recipes were adjusted to substitute dehydrated potatoes for corn or rice. These recipes included Dehydrated Potato Enchiladas with Beans, Dehydrated Potato Tortillas and Dehydrated Potato Dumpling Soup.

With respect to USAID's programs, USAID's Office of Food for Peace (USAID/FFP) determines the best means of responding to food security emergencies—whether that assistance is provided with U.S. in-kind commodities, locally and/or regionally procured commodities, food vouchers, or cash transfers for food—based on the context of each individual humanitarian response. This decision making process is based on the timeliness for each modality; local market conditions; cost effectiveness; feasibility and scale; beneficiary targeting and gender; security; program objec-

tives; and beneficiary preferences—including compatibility with local tastes and dietary needs. Most USAID food aid is provided through U.S. in-kind commodities in Food for Peace Title II programs, and few of these funds can currently be used for cash-based food assistance such as local and regional procurement or food vouchers, although the Budget seeks to increase our flexibility within Title II to use the most appropriate tool for each emergency.

USAID/FFP relies primarily on limited funds in the International Disaster Assistance (IDA) account currently to support cash-based assistance programs. For example, in Syria, USAID is using IDA resources to support an electronic food voucher program to reach millions of refugees across five countries, many of whom are living in cities and towns with functioning markets. This approach enables refugees to have more diversity of choice, enabling preparation of meals with more nutritious foods.

*Question 2. Local and Regional Procurement.* When coupled with existing programs that strengthen local community systems and infrastructure, LRP can be easily adopted by knowledgeable beneficiaries with minimal impact on local markets. Given that most food assistance programs include a local capacity building component (McGovern-Dole FFE, Title II non-emergency programming) has there been any consideration for use of LRP to help transition to locally available products in these programs? If appropriated, how would the \$20 million for LRP be utilized? Besides working with McGovern-Dole programs, do you see an opportunity to pair the new LRP program with Title II non-emergency programs?

*Answer.* Local and regional agricultural procurement programs can help build sustainable production of locally grown food and strengthen local value chains, developing appropriate supply chains for the procurement of commodities from local producers. School meals using locally purchased foods will add locally preferred complementary commodities to the meals, which will make them more appealing to the children and help increase nutrition. In countries where supply chains need to be strengthened in order to support a workable and reliable supply of food, the recipients of awards under USDA's Local and Regional Procurement Program (LRP) can work with producers, school authorities, and local municipalities in communities around schools to provide technical and management expertise to build reliable supply systems, as well as to procure commodities. The FY 2016 Budget requested \$20 million for the LRP program to serve as a complementary tool to support existing food aid programs, especially for the McGovern-Dole program.

There may be potential opportunities for USDA to pair projects under LRP with USAID's Title II non-emergency programs. In FY 2015, for example, USAID targeted two countries, Bangladesh and Mali, for development programs in numerous agriculturally-related topics, highlighting access to food, nutrition, and improving agricultural productivity. USDA has not only worked in both countries but also funded Food for Progress and McGovern-Dole projects there. USDA's LRP Program could be implemented to assist smallholder farmers in enhancing their productivity with methods that mitigate climate change and prevent environmental hazards.

In the 2014 Farm Bill, USAID received meaningful flexibility through Section 202(e) in the Food for Peace Act to enhance Title II programs, including through the use of local and regional procurement and other market based food assistance interventions. With this new flexibility, for example, USAID has been able to integrate local food items towards the end of the 5 year development programs in order to facilitate a smoother transition for beneficiaries, support local markets, and enhance the overall sustainability of the programs.

**Response from Brandon Willis, Administrator, Risk Management Agency,  
U.S. Department of Agriculture**

*Question Submitted by Hon. David Rouzer, a Representative in Congress from North Carolina*

*Question.* Administrator Brandon Willis, the 2014 Farm Bill directs FCIC to study a variety of topics that could lead to additional insurance policies for animal agriculture. FCIC is required to enter into contracts to conduct research and development on policies for poultry business interruption insurance for poultry growers, including losses due to bankruptcy of an integrator (owner-processor). FCIC is also required to contract for studies on insuring swine producers for a catastrophic event and insuring poultry producers for a catastrophic event. Can you please provide an update on how these studies are progressing?

*Answer.* The Risk Management Agency (RMA) has contracted to provide feasibility studies for poultry catastrophic disease losses, poultry business interruption, and swine catastrophic disease losses, as required by the farm bill. RMA expects to submit these reports to Congress this winter.

**Response from Sonny Ramaswamy, Ph.D., Director, National Institute of Food and Agriculture, U.S. Department of Agriculture**

*Question Submitted by Hon. Alma S. Adams, a Representative in Congress from North Carolina*

*Question.* The 1890 Appropriation for the Expanded Food and Nutrition Education Program (EFNEP) has increased over the years, however the funds are minute in comparison to the 1862 Institutions. The limited amount of money makes it difficult to develop a significant enough program to demonstrate widespread impact. Are there plans to increase the funding appropriations of 1890 Institutions?

*Answer.* The Expanded Food and Nutrition Program allocations to 1862 and 1890 institutions are based on a statutory formula distribution provided in the authorizing legislation. As such, NIFA does not have the authority to alter the proportion of EFNEP funding that is provided to 1890 *versus* 1862 institutions. The current formula provides that 1862 institutions shall receive a base in an amount equaling their FY 1981 allocation, and a minimum of \$100,000 is distributed to each 1862 and 1890 land-grant institution including the University of the District of Columbia. The remainder is distributed based on formulas that use the latest Census data for population living at or below 125 percent of the poverty level. Specifically, a percentage of the increase in funding that exceeds the FY 2007 appropriated level is distributed to the 1890 Land-Grant Institutions according to the *pro-rata* population for each institution at or below 125 percent of the poverty level; and the remainder to the 1862 land-grant institutions according to the *pro-rata* population for each institution at or below 125 percent of the poverty level.

**Response from Renee Picanso, Associate Administrator, National Agricultural Statistics Service, U.S. Department of Agriculture**

*Question Submitted by Hon. Alma S. Adams, a Representative in Congress from North Carolina*

*Question.* The Ag Census data seems to provide an inaccurate (duplication) for the number of producers. As an example, a husband and wife may both be listed as the primary operator, which increases the overall number of farmers. This methodology makes it difficult to determine the true number of farmers. Are there plans to modify the current data collection methods to reduce duplication?

*Answer.* The Census of Agriculture collects data both on the number of farms and the number of people who operate the farms. An operator is defined as a person making day to day decisions for the farm operation. Since the 2002 Census of Agriculture, the Census allows respondents to report the total number of operators involved in day to day decision making, as well as detailed demographic characteristics for up to three of those operators. One of these operators is defined as the principal operator or senior partner. The number of principal operators is equal to the number of farms. For the 2012 Census, there were 2,109,303 farms, 2,109,303 principal operators, and 3,233,358 total farm operators.

NASS is currently in the process of testing and updating the Census report form for the 2017 Census of Agriculture. In response to recommendations received from an outside panel commissioned to look at collection of demographic data on the Census, NASS will collect detailed demographic data on up to four operators per farm, and allow the respondent to designate multiple principal operators. As in previous Censuses, NASS will show information separately for the count of farms, and the count of persons operating those farms.





## HEARING TO REVIEW USDA ORGANIZATION AND PROGRAM ADMINISTRATION

(PART 2)

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WEDNESDAY, SEPTEMBER 16, 2015

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Committee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Neugebauer, Goodlatte, Lucas, King, Rogers, Thompson, Austin Scott of Georgia, Crawford, DesJarlais, Gibson, Hartzler, Davis, Yoho, Walorski, Allen, Rouzer, Abraham, Moolenaar, Kelly, Peterson, Fudge, McGovern, Plaskett, Adams, and Ashford.

Staff present: Anne DeCesaro, Bart Fischer, Caleb Crosswhite, Callie McAdams, Haley Graves, Jessica Carter, John Goldberg, Josh Maxwell, Mary Nowak, Mollie Wilken, Paul Balzano, Skylar Sowder, Jodi Chapman, John Konya, Andy Baker, Anne Simmons, Evan Jurkovich, Keith Jones, Lisa Shelton, Liz Friedlander, Mary Knigge, Mike Stranz, Nicole Scott, and Carly Reedholm.

### OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. This hearing of the Committee on Agriculture, to review USDA organization and program administration, will come to order. I have asked Rick Crawford to open us with a prayer. Rick.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Heavenly Father, we bow humbly before you. We are thankful for every blessing of life and thankful for this nation that you have given us and thankful for the opportunity to represent those citizens of this great nation in our work here today. Father, we just ask for your wisdom, guidance, and discernment in all that we say and to be pleasing to you. In Jesus' name. Amen.

The CHAIRMAN. Thank you, Rick. Ranking Member Peterson is en route. He had a speech at 9:30, so he said to go ahead and start this morning on time, and he will get here as quickly as he can. We will pick up where we left off. I ask that any Member who wants to submit an opening statement for the record so the witnesses may begin the testimony to ensure there is ample time for questions.

The chair will remind Members they will be recognized for questioning in the order of seniority for Members who were here at the start at the hearing. After that Members will be recognized in order of arrival. I appreciate Members' understanding.

Witnesses are reminded to limit their oral presentations to 5 minutes. All written statements will be included in the record. Over the course of today's hearing, following the testimony of each witness everyone at the table will be made available for questions. So once Lisa finishes, then we will open the questions, and I hope to get responses from the appropriate administrator.

I would like to welcome our first witness group to the table. The Honorable Lisa Mensah, who is Under Secretary of Rural Development, USDA. Accompanying her today is Brandon McBride, who is the Administrator of Rural Utility Service; Tony Hernandez, who is the Administrator for Rural Housing. And pinch hitting is Samuel Rikkers, who is the Acting Administrator for Rural Business—Cooperative Service.

Lisa, the microphone is yours.

**STATEMENT OF HON. LISA MENSAH, UNDER SECRETARY, RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY BRANDON McBRIDE, ADMINISTRATOR, RURAL UTILITIES SERVICE, USDA; TONY HERNANDEZ, ADMINISTRATOR, RURAL HOUSING SERVICE, USDA; AND SAMUEL H. RIKKERS, ACTING ADMINISTRATOR, RURAL BUSINESS—COOPERATIVE SERVICE, USDA**

Ms. MENSAH. Thank you also to the other Members and Ranking Member Peterson when he arrives. I want to thank you for the opportunity to discuss the program successes, challenges, of the Department of Agriculture's Rural Development mission area. I am accompanied this morning by Rural Development Administrators Brandon McBride, Sam Rikkers, and Tony Hernandez.

Rural Development manages a loan portfolio of more than \$200 billion through nearly 50 programs and services organized into three distinct areas: Rural business and cooperative services, rural utility programs, and rural housing and community facilities programs. Together we are focused on increasing economic opportunities and improving the quality of life for all rural Americans.

Some of our resources finance large, long-term loans to develop and grow businesses. Other resources are invested in smaller, more specific projects targeted at the smallest producers. Further, support is offered by our agency to address underlying utility, housing, or community needs of large rural areas. All of these investments offer hope and support needed to encourage economic development. I am deeply appreciative of the authorities provided to our agency by Congress through the 2014 Farm Bill.

You renew our ability to deepen our work in our core programs on behalf of rural America, and those programs are so important. For example, Rural Development provided a business and industry guaranteed loan to a Somerset, Pennsylvania company to purchase equipment to return manufacturing operations from China to the U.S. The company manufactures and distributes respiratory medical devices and products such as nebulizers, oxygen concentrators,

and CPAP equipment. USDA's rural development assistance means that these products are now proudly stamped made in the USA by American workers.

We are also supporting more basic needs like access to clean water or to food. Second Harvest of Georgia is a nonprofit that feeds hungry people in 30 south Georgia counties. We provided funding to build a distribution facility with a commercial kitchen that can produce up to 10,000 meals a day for south Georgia residents in need. Since 2009, Rural Development has helped more than 900,000 rural families to buy, repair, or refinance a home. We provided funding for 3,000 multi-family housing developments, and we are successfully delivering new or improved broadband service to 1.5 million households, businesses, schools, libraries, and community facilities.

We helped modernize rural electric infrastructure for about 8½ million rural businesses and families, and we provided grants and loans for water and wastewater projects to help safeguard the health of more than 14.5 million rural residents.

We understand the need to invest wisely and stretch our limited resources. Our portfolio is full of examples of Rural Development working with others to understand the needs of the region and support projects that encourage development. Over the past 2 years, Rural Development leveraged over \$2 billion in Community Facilities direct funds with \$1.2 billion from institutional investors in the capital credit markets.

Partnership projects are spurring economic growth and job creation while providing access to health care, education, and other critical services. True public-private partnerships are built on shared vision and mutual trust. Our job is to be fair, reliable, and consistent partners.

Thanks to Congress, Rural Development is a uniquely structured agency with resources to encourage and support successful systems that are already at work in communities or to help develop those that are desperately needed.

In the time I have been with USDA, I have witnessed rural resiliency on a very personal level. I watched the town of Floresville, Texas turn out in force to launch their improved water treatment system.

I visited the Peoples Rural Telephone Cooperative in Jackson County, Kentucky, which built a state-of-the-art network that offers isolated rural residents the same educational and cultural opportunities available to residents in urban areas.

I toured a manufacturer in Brundige, Alabama that is expanding its business with support from Rural Development. Each of these investments made in rural communities is an investment in our country's future.

I am a passionate advocate for tapping the potential of rural areas; so the communities located in every holler, hilltop, plain, and prairie are part of America's story of growth and prosperity.

I look forward to working with you in the coming months to ensure continued support for rural development, and I very much appreciate the opportunity to testify, and I am happy to answer your questions.

[The prepared statement of Ms. Mensah follows:]

PREPARED STATEMENT OF HON. LISA MENSAH, UNDER SECRETARY, RURAL  
DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Conaway, Ranking Member Peterson, and Members of the Committee, thank you for the opportunity to discuss the programs, successes and challenges of the Department of Agriculture's Rural Development mission area. I am accompanied this morning/afternoon by Mr. Brandon McBride, Mr. Sam Rikkers, and Mr. Tony Hernandez, Administrators for Rural Development's Utilities, Business and Cooperatives and Housing and Community Facilities Programs, respectively.

The Rural Utilities Service (RUS) has funded basic infrastructure services for 80 years and provides the critical financial support for electric infrastructure, broadband to offer access to the digital economy, and clean, safe water to help healthy rural communities grow and prosper. Our Rural Business—Cooperative Service (RBS), in partnership with other public and private-sector stakeholders, are critical to improving lives of rural Americans. RBCS program not only promote rural business employment opportunities and support key energy project investments, but enable rural Americans to compete in the global economy. Last, our Rural Housing Service and Community Facilities (RHS and CF) make critical loans and grants to support rural residents and the communities in which they live. Congress has defined for us a tremendous set of housing and community development programs to ensure that rural families have access to safe, affordable homes and thriving communities.

The men and women of my Agency, and the programs we administer on a daily basis, are committed to increasing the economic opportunities and improving the quality of life for all rural Americans. Approximately 15 percent of the population of the United States is considered rural. Yet that comparatively small percentage belies a far more relevant statistic: nearly 75 percent of our land mass is rural. So that 15 percent—which happens to represent forty-six million American citizens—feeds the world. Rural Development works on a daily basis to determine and support the needs of that “15 percent.”

The 5,000 Rural Development professionals I lead work daily to help maintain and upgrade infrastructure investments that are so important to the modernization of rural America; to connect citizens to the video and data-intensive world of broadband; to build a cleaner, greener future through renewable power and energy efficiency; to reduce child poverty; to cope with growing healthcare needs of an aging population; and to make rural communities a place where young people will want to stay, start families, build businesses and create futures.

Rural Development has a loan portfolio of more than \$200 billion and invested upwards of \$28 billion in 2014 alone assisting rural areas throughout the United States and its territories. We maintain a program delivery structure that Congress has supported since our founding, and our customers appreciate. Rural Development has financed large, long-term loans to develop and grow businesses. Other resources are invested in smaller, more specific projects targeted at the smallest producers. Further support is offered by our Agency to address underlying utility housing or community facility needs of rural communities. All of these investments offer the hope and support needed to encourage economic development.

For example, Rural Development provided DeVilbiss Healthcare, LLC with a Business and Industry guaranteed loan to purchase equipment and machinery and to transfer manufacturing operations from China back to the United States. DeVilbiss manufactures and distributes respiratory medical devices and products such as nebulizers, oxygen concentrators, and CPAP equipment. The assistance preserves 92 jobs and creates 20 new jobs in rural Pennsylvania.

This is just one example of many forward-leaning projects that Rural Development is proud to encourage. Our fundamental mission is to support thriving self-sustaining and prosperous rural communities. We're doing so through the authorities provided to our Agency by Congress and through the added resources afforded in the annual appropriations legislation and the 2014 Farm Bill. The farm bill renewed our authority to deepen our work in our core programs for rural America. And for that, I am deeply appreciative.

As Members of the Committee on Agriculture, you know better than most the challenges that face rural Americans. Rural communities are characterized by their isolation from population centers and product markets. These communities benefit most from initiatives that integrate local institutions and businesses with state and Federal agencies that have intimate knowledge of local needs. At the same time, these same communities have an enormous amount of importance to the health and well-being of our entire nation. The report, *Promoting Growth in all Regions*, released by the Organisation for Economic Co-operation and Development (OECD), in-

dicates investments in infrastructure and human capital in rural places are vital for national growth.

For more than 80 years, Rural Development has doggedly pursued success for rural America. We are committed to working with partners to best serve rural areas. We understand that solid public-private partnerships and well-placed intentional investments can—quite literally—mean life or death for some communities.

Pikeville Medical Center in Kentucky is a private, nonprofit (501(c)(3)) organization that provides comprehensive health care services through its 261 bed acute care and in-patient rehabilitation hospital. The Hospital primarily serves patients from persistent poverty areas. To meet a growing demand for services, Pikeville Medical Center used the Community Facilities (CF) program to construct a new medical office building containing research facilities, outpatient surgery suites, endoscopy facilities, physical exam space, labs and lecture halls.

Building on this success, and working with others to understanding the needs of the region, Rural Development provided a \$40 million Community Facilities loan to the University of Pikeville (UPIKE) for the construction of a health professions education building that provides both instruction and demonstration for the new College of Optometry, School of Nursing, and other student support services. This funding enabled USDA to establish a public-private partnership for the new facility whereby UPIKE provided an additional \$5.5 million, \$3.7 million in private donations were raised, the Appalachian Regional Commission provided a \$1.5 million grant, and the U.S. Economic Development Administration provided a \$1.3 million grant.

This partnership resulted in a facility that added 75 direct jobs to the local economy and created a distributed community-based clinic model, adding 25 to 30 jobs in local clinics. In addition, the community benefited from the facility as there was no College of Optometry serving that state or many of its neighbors previously.

USDA Rural Development, through its Community Facilities programs, has taken a leadership role in facilitating and strengthening public-private partnerships to ensure that rural residents have the opportunity for a brighter future with good schools, quality health care and other critical community infrastructure needs.

In communities like Pikeville, public-private partnership has brought together critical financial, project development and technical expertise, resources and innovation to large complex community infrastructure projects at a time when Agency staff resources have been reduced; it has strengthened underwriting with another set of eyes thereby reducing Agency credit risk and has provided the Agency with a long term partnership for servicing loans along with another avenue for communication with the borrower. More importantly, it has allowed USDA to assist more rural communities, invest in more essential community facilities and help more rural residents.

From Fiscal Year 2012 to Fiscal Year 2014, Rural Development invested in 335 Public-Private Partnership community infrastructure projects across rural America in 49 states. The Agency leveraged over \$2 billion in community facilities direct loan funds, with \$1.2 billion from institutional investors and the capital credit markets to strengthen investment in critical community infrastructure projects spurring economic growth, job creation and access to improved health care, education and other critical services. These Community Facility investments are projected to create or save approximately 75,000 quality paying jobs.

True public partnerships are built on shared vision and mutual trust. Our job is to be fair, reliable and consistent partners. Thanks to Congress, Rural Development is a uniquely structured Agency with the resources to encourage and support successful systems already at work in communities or develop those that are desperately needed.

Today, we are using lessons learned in our more established programs to capitalize on opportunities in other areas within the mission too. Consider our work in the rapidly expanding area of local and regional food systems. The concept behind the “Know Your Farmer, Know Your Food” initiative now includes more women, more people of color, and more veterans.

In Poplarville, Mississippi, Ivory Smith, a veteran of the wars in Iraq and Afghanistan, is trying his hand at hydroponics by growing rainbow radishes and pea shoots.

Funded in part by USDA Rural Development, an “Armed to Farm” workshop helped Ivory learn to better manage the business side of his operation. After shadowing working agribusinesses, he says he now feels more confident about the future of his company, SmithPonics.

I am deeply moved by seeing taxpayer dollars at work in rural communities. There is something extraordinary about rural America’s ability to survive and thrive. It is a place where values count and where stewardship is a meaningful obli-

gation. Financing businesses like SmithPonics, which helps Ivory put food on the table and contribute to the local economy, is an amazing privilege.

Over the course of the last couple of years, we have chosen to be proactive in identifying and pursuing areas of greatest need in rural America, rather than waiting for those places to find us. We're doing so through StrikeForce, Promise Zones, Stronger Economies Together and other such initiatives that you are well familiar with. These efforts are just a few of the many reasons that I am so fiercely proud of the 5,000 Rural Development professionals nationwide. Our Agency and its partners are willing to help us move much needed assistance to the places that need it most.

In the time that I've been with USDA, I've witnessed rural resiliency on a very personal level. I watched the town of Floresville, Texas turn out in force to launch their improved water treatment system. I visited the Peoples Rural Telephone Cooperative in Jackson County, Kentucky which built a state-of-the-art, fiber-to-the-premise network that offers isolated rural residents the same economic, educational and social opportunities available to residents in urban areas. I toured a condiment manufacturer in Brundige, Alabama that is expanding its business and market share with support from Rural Development. Each of these investments made in rural communities is an investment in our country's future.

Throughout all of these visits, it was clear to me that giving our rural children a reason not to leave was extremely important to local community leaders, family members and businesses. More importantly, I know it can be done. Jeanne and Dan Carver own and operate Imperial Stock Ranch in Wasco County, Oregon. This family business supplied wool for Ralph Lauren-designed sweaters worn by United States athletes at the Sochi Winter Olympics. Later, they launched a "ranch-to-runway" line of clothing with award-winning fashion designer Anna Cohen. They did all of this nearly three thousand miles removed from the frenetic pace of New York City's fashion district. The Carvers have benefited from USDA's Value-Added Producer Grant (VAPG) program since 2008, using the funds for planning and capital assistance. In this instance, the VAPG program—one of nearly 50 programs and services administered by Rural Development—is helping breathe life back into the textile industry and creating jobs right here in the United States.

Another critical need for economic growth in rural areas is access to affordable water and wastewater services, electricity and broadband. Once again, Rural Development is working with partners to provide rural areas with these modern day necessities of business.

We provided grants and loans for water and wastewater projects to help safeguard the health of more than 14.5 million rural residents since 2009. To support water utilities and households coping with drought in California, in June 2015, we pledged to provide at least \$7 million to address the drought-related needs of water utilities and households.

Since the creation of the Rural Electrification Administration (REA), we have worked to provide reliable electric infrastructure for rural residents and businesses. Rural Development has funded over \$1.1 billion in smart grid technology during the Obama Administration. A recent loan to Minnesota Valley Electric Cooperative, for example, includes \$1.9 million for smart grid projects to better manage electric load and equip consumers with information to enhance energy efficiency.

Furthermore, broadband investments help rural communities attract new businesses; allow schools to improve educational opportunities through distance learning; and improve healthcare by providing cost-effective remote diagnosis and care. In many cases, the risks associated with building broadband infrastructure in rural areas can be too cost prohibitive for the private-sector. The Federal Government plays a necessary role in partnering with local institutions and communities in these instances. USDA works to carefully balance the need to provide broadband service to under- and unserved areas with the risks associated with funding large infrastructure projects in rural areas with low population density. Just as REA brought electricity to rural areas, Rural Development's commitment to bringing high speed Internet to rural areas will make businesses more competitive and bring opportunities to rural citizens that have long been afforded to urban citizens.

Under the American Recovery and Reinvestment Act of 2009, Congress gave us the authority to continue to support delivery of broadband to remote and hard-to-serve areas. We are proud to share with you that 244 of the 255 funded projects are complete and are successfully delivering new or improved service to nearly 260,000 rural households, more than 17,000 businesses, and approximately 1,880 schools, libraries and health care facilities. These new projects will continue to attract subscribers as they deliver educational and health care services and strengthen rural economies through connections to the global marketplace. In total, USDA investments in all broadband programs has delivered service to 1.5 million house-

holds, businesses, schools, libraries, and community facilities since 2009 while also being good stewards of taxpayer dollars. Rest assured, we are committed to the work that remains to be done. Fewer than 50 percent of those who live in rural areas have access to the same high-speed Internet services that those who live in urban areas enjoy. We expect the White House later this month to release a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. We believe that the Farm Bill Broadband Loan Program will be an important resource in this effort.

A special point of pride for Rural Development is our housing programs. Since 2009, Rural Development has helped more than 900,000 rural families buy, repair or refinance a home and provided funding for 3,000 multi-family housing developments. Access to safe, modest, affordable housing is vitally important to the health and growth of rural areas. Helping to make the American Dream a reality is a tremendous responsibility. I am delighted that through our work Rural Development housing programs are often stepping stones on the journey to homeownership which will help build wealth and security for rural families. We offer one of the best home mortgages in the United States and boast a low default rate.

In this, the 50th year of Rural Development's Mutual Self-Help Housing Program, we also completed 50,000 homes through partnerships and sweat equity. In fact, several Members of Congress and Congressional staff participated in self-help builds this year to help us mark this important milestone.

Rural Development is committed to continually testing new ways to address housing needs in rural America. The USDA Energy Efficiency Manufactured Home Pilot Program was introduced this summer in New Hampshire and Vermont. A low income home-buyer interested in purchasing a high-performance modular home and placing it in a mobile home park would be eligible for a 30 year mortgage at a 3.25 percent interest rate. Very low income home buyers may be eligible for an interest subsidy down to one percent. The mortgage is the first of its kind for residents of mobile home parks, where home buyers face high interest rates and short loan terms.

The Agency continues to make tremendous gains—and took on a decade of needed upgrades—to its systems and processes. As of this spring, our guaranteed Single Family Housing loan program is now paperless. Not only are we saving 37,500 REAMS of paper every year, we've lowered postage costs, saved printer ink, and are moving loan guarantees out the door much more quickly. We estimate a 1 year savings of more than \$4.2 million. [See attached infographic]\*

We are also in the process of modernizing the delivery of the Single Family Housing direct loan program through automation. Beginning Fiscal Year 2016, the Agency will implement an automated underwriting system nationwide, permit third parties to submit applications electronically, and move from paper-based to electronic customer files. These improvements will provide underwriting consistency nationwide, additional security features, and the ability to seamlessly transfer work when states experience increases in applications.

In other rural areas, we are supporting organizations that are addressing more basic needs and on the front lines of fighting to alleviate poverty. Second Harvest of South Georgia is a nonprofit that feeds hungry people in 30 Georgia counties and is the largest in Georgia outside of the Metro Atlanta area. USDA provided funding through a \$5.2 million Community Facilities loan to build a distribution facility in Thomasville. Its commercial kitchen can produce up to 10,000 meals a day for South Georgia residents in need.

I appreciate your continued interest and support of Rural Development programs. When countries cannot make rural infrastructure work, it impedes not only their rural places and people; it holds back the growth of the entire nation. This is true for industrialized countries like the United States, as well as developing nations like my father's homeland of Ghana. Investments in roads, the electric grid, water systems are what ignite the rural economy. USDA Rural Development and our partners address the unique needs of communities often lacking large populations or other support mechanisms. Rural investments are shared investments for all. Together, we can coordinate and leverage our resources to turn Rural Development's transactional work into transformational work.

I am a passionate advocate for tapping the potential of rural areas so that communities located in every holler, hilltop, plain, and prairie are part of America's story of growth and prosperity. I look forward to working with you in the coming months to ensure continued support for USDA Rural Development.

I appreciate the opportunity to testify before the House Agriculture Committee. At this time, I am happy to answer your questions.

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\* **Editor's note:** The testimony is published as received, there was no attached infographic.

The CHAIRMAN. Thanks, Lisa. I appreciate that.

You have also been proud of the community of Robert E. Lee, Texas which had a water problem, and so they had to lay a line of about 12 miles; and the citizens actually pitched in and got in the ditch and helped put the plastic pipe together for that 12 miles, so that is a great example; and your agency pitched in.

I don't think either you or Brandon were here during the stimulus program in which about \$7 billion was earmarked for broadband and rural access. As a part of that, there was some \$300 million that was earmarked for a survey to be done across the United States to tell us where it was and where it wasn't, in other words where it needed to go. That survey was done, completed months after the \$7 billion was committed, unfortunately. A bit of a history lesson. Can either one of you give us an update on, was the survey completed? And then I will go from there.

Ms. MENSAH. I am going to ask Administrator McBride to speak to the survey, and while neither of us were in these spots at the time of the stimulus, I do want to say we are very proud of the stimulus dollars that reached and helped build our broadband work.

The CHAIRMAN. Okay. Brandon.

Mr. McBRIDE. Thank you for the question, Mr. Chairman. I believe that the FCC has completed that survey, and we are in touch with them frequently—

The CHAIRMAN. Okay you were about to answer then. Given your comments in the opening statement that we are still not done, and given that I represent a rural district in which I have an AT&T phone and a Verizon phone, and I am out of contact, unfortunately, often in my rural district. What are your efforts compared to what that survey showed needed to be done? How did the \$7 billion accomplish what we wanted it to?

Mr. McBRIDE. With the stimulus funding that we had, we were able to expand broadband into a number of rural areas, and that was a historic investment. We continue to work with the FCC and NTIA to make sure that we are reaching areas that do not have service.

The 2014 Farm Bill instructed us to work with the FCC to update maps and make sure that we were sharing information to update those and ensure that the communities that do not have broadband, that we would get to those.

The CHAIRMAN. So we have entire communities or just folks living out in the countryside that don't have it?

Mr. McBRIDE. We have both.

The CHAIRMAN. The testimony stated we have six projects yet to be completed under the stimulus program?

Mr. McBRIDE. I am sorry?

The CHAIRMAN. I read in Ms. Mensah's testimony that 244 of the 250 projects were done. This is 6 years later; we have six of those projects that aren't yet done? That may be unfair to ask you that question.

Mr. McBRIDE. There are less than a dozen projects that are still working on construction, and we hope to have those completed by September 30.



The CHAIRMAN. Okay. Lisa, can you talk to us about the Community Facilities investment? You partner with a bank, and I guess the bank services those loans, or how does that work?

Ms. MENSAH. I am going to ask Administrator Hernandez to speak to all aspects of our Community Facilities because we have both direct and guaranteed programs.

Mr. HERNANDEZ. Thanks, Mr. Chairman. We are very excited about the——

The CHAIRMAN. Is your microphone on?

Mr. HERNANDEZ. It is now. Mr. Chairman, we have a program that really capitalizes on the private-sector so they can do what we call our guaranteed lending, and so we guarantee the loan up to 90 percent; so the lenders do that loan and then we also have a product which we call the direct loan, and so we use both those financing to both mitigate——

The CHAIRMAN. The direct loan, do you service those?

Mr. HERNANDEZ. We do those directly.

The CHAIRMAN. What is the default rate on that?

Mr. HERNANDEZ. Our default rate is less than one percent, sir.

The CHAIRMAN. All right. That is a full out default. How many do you have that are not current on their payments?

Mr. HERNANDEZ. Sir, we are very fortunate that almost all of our loans are current. We have folks that we are working with to make sure they stay current. Part of it goes to our underwriting. We try to make sure we are picking projects that are successful.

The CHAIRMAN. I hear that, Tony, but how do you avoid competing with banks. It seems to me—we all want these projects done. We prefer to have the private-sector do it first. How do you not step on their toes?

Mr. HERNANDEZ. That is a great question, sir. As a matter of fact, the partnership between the private-sector and public-sector, a lot of these projects in the private-sector would not lend if we were not part of that lending. They are looking to mitigate their risk. And that is why we do more on the direct side than we do on the guaranteed side because a lot of these projects a lender would not do. So they look to us——

The CHAIRMAN. Let me understand. You said you do extensive due diligence on it, which I appreciate, but you have already had a bank look at it and say we can't commit our shareholder money for this. What steps do you, in the 30 seconds left, kind of what steps do you have to go through to look at it to decide to put taxpayer money against it, a direct loan?

Mr. HERNANDEZ. Sure. The first thing we do, sir, is try to find the right project; they have the capacity to pay it back. But a lot of times a lender won't lend there because they don't want to have that much risk in that deal. So they look to do a minimum investment.

The CHAIRMAN. So in the direct loans you would have a bank partner with you in those as well?

Mr. HERNANDEZ. As a matter of fact most of our projects have both private and us in them, sir.

The CHAIRMAN. So give me real quickly how many of those direct loans are 100 percent USDA loans *versus* one where you have a blend of other outsiders in it?

Mr. HERNANDEZ. Great question sir. I don't have that information with, me.

The CHAIRMAN. Would you give us kind of a report on portfolio, 100 percent direct loans, and how much of those are blended loans in the sense where you have private folks coming in. I appreciate your help to make it happen. I am a former banker, so if you wouldn't mind giving me kind of a read on where the current status is on the portfolio?

Mr. HERNANDEZ. I can do that for you, sir.

The CHAIRMAN. Thank you very much. Mr. Peterson, for 5 minutes. Ms. Fudge, for 5 minutes.

Ms. FUDGE. Thank you very much, Mr. Chairman. And since I don't know you well enough to call you by your first name, I will call you by your title.

Under Secretary Mensah, does your Department have the resources to provide the loans and the grants needed to help all of Americans in rural areas to thrive?

Ms. MENSAH. Thank you, Congresswoman Fudge. This farm bill was very good to us, and we started this year very strong. We had strong performance in all three of our portfolios, our housing, our utilities, and our business loans.

But probably the thing I have talked the most about since I got to USDA is our people and our core programs. As long as those two things stay strong, we have nearly 5,000 people that work for us; my biggest hope is that we can retain all of those jobs and keep those people productive because they are the ones that will allow our core programs to move forward. It is a powerful staff. It is a field-based staff, and I am most concerned that we are able to keep our people and our core programs strong.

Ms. FUDGE. Well thank you. Two of the people you have to thank for that are sitting right here. Of course, Mr. Peterson and Mr. Lucas, who worked so diligently to make sure that we did receive a farm bill.

Ms. MENSAH. Absolutely. Thank you.

Ms. FUDGE. Further, Know Your Farmer, Know Your Food initiative you cited an example of a veteran who benefited from this effort in your testimony. Could you tell us a little bit more about that?

Ms. MENSAH. Know Your Farmer, Know Your Food is a way we talk about the entire local food economy. It is about getting more for your food dollar. In the example in my written testimony we had a veteran that was growing microgreens, what you can grow and what you can make on microgreens, even when you are beginning farmer, exceeds trying to be a row crop farmer when you are starting out.

What we have seen is in our agency is that in our core programs, our programs like our Community Facilities, our programs such as our Business and Industry Loans, we are able and are Value-Added Producer Grant, all those things that were renewed in the farm bill, that allows us to strengthen this what we call the local food.

So many Americans want to eat locally and buy locally, and they are willing to pay a little more. And this is an opportunity to strengthen the whole economy around. It is not just a little thing. I love the program. I tour and see the kind of food hubs, the stor-

age facilities we have been able to build with our Community Facilities dollars, so it is really an important wedge into the rural economy and to renewing that.

Ms. FUDGE. Thank you. Administrator Hernandez, in the Under Secretary's testimony, she stated that Rural Development offers one of the best home mortgages in the United States and it boasts a low default rate. What is the default rate and why is it so successful?

Mr. HERNANDEZ. Thank you, Congresswoman, for the question. We are very proud of our program that really creates an opportunity for people to own homes. And the reason it is so good is we work with our borrowers to make sure they stay in the house. So we have two products, one that is called the guaranteed product, which is where we work with the lenders; and for both of our products, customers have to not to be able to get access to capital someplace else.

What makes the product so good, it is 100 percent financing, zero down payment. If they can qualify for a down payment program someplace else, we encourage them to go to FHA or someplace else. So most of our customers want to be a home buyer, but their incomes are lower, and so they have our product which is zero percent down, 100 percent financing. That is on the guaranteed.

On the direct, we work with them directly, meet with the customers, we are their lender. If they have challenges with making their payments, we work with them. We call them, that is how we work to make sure they can be successful. And so it is a one on one. We do this in 47 different states. All over the country we have offices that really work with the customers. We find the customers working with our favorite nonprofits, and they are favored because they are successful in bringing good customers to us. So I think that is one of the reasons we are so successful with a lower default rate.

Ms. FUDGE. Thank you. Administrator Rikkens, I want to talk a bit about HFFI. And we know that many projects have been funded through the existing framework, and there is a real opportunity to build on the success of this enterprise level funding at the national level. Recognizing the uncertainty of the appropriations we have coming in 2016, how does USDA plan to implement HFFI, and why can we not move forward at this time on a national fund manager?

Mr. RIKKERS. Representative Fudge, thank you for the question. HFFI, as you note, is a critical program that supports healthy food and financing across the country. Many of our programs, not just within the Rural Business—Cooperative Service, but also across other parts of the USDA are integral to that program. We are looking for guidance.

We have not yet had funding within that program within the RBCS, or Rural Business—Cooperative Service. As Under Secretary Mensah cited just moments ago, the importance of healthy, local foods in our rural communities is something that we are attempting to address with other programs we have within RD, but certainly something we are looking to Congress for support for funding.

Ms. FUDGE. Thank you. I yield back.

The CHAIRMAN. The gentlelady yields back. Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. Administrator Hernandez, one of the things that I have an opportunity to do is sit on this Committee as well as the House Financial Services Committee, and one of the things that we have been working on is housing reform. And one of the things, and I don't have the number in front of me, but when I had an opportunity to chair the Housing and Insurance Committee, we were talking about the number of housing programs that exist across the entire government. And it is a substantial number of housing programs.

As we are in a situation where we are borrowing money to keep our government operating. One of the issues that has been discussed is why are we doing so many housing programs across a broad number of different agencies, and why don't we do housing in one location? So I would welcome your thoughts to why that is not a good idea?

Mr. HERNANDEZ. Great. Thank you, Congressman. Congress was very smart and strategic when they created USDA to do housing because housing in rural America is different than housing in urban areas. The incomes for folks in rural areas are much less. It is harder to find jobs in rural America. Which means if you have a product that requires a down payment, they would not be able to get into housing.

That is where Congress created USDA and, boy, we were so lucky because of that forethought to say we have a program that has zero percent down and 100 percent financing and we have it in every state, where we have staff that meet with customers and our staff meet with the nonprofits that are there. We are different than any other housing organization in our Federal Government. We are customer-based. We talk to the customers.

The other reason the customers are so good with us is because we have that product, zero percent down, 100 percent financing. Our foreclosure rates and default rates are lower than almost any other program in the Federal Government. Congress did a great thing. We are going to build on that success and change people's lives more with homeownership through USDA.

Mr. NEUGEBAUER. Well, I don't disagree that you have some programs that people are utilizing. I think what I am saying is when you have programs in the government, you have duplicative overheads; so you are paying people to administrate that program, but we are also paying people at HUD to administer some very similar programs where they offer either low or no down payment programs.

And so the question, and it is a legitimate question, is I am sure you have very capable people. Those people, if there was some consolidation would be welcome to be a part of, possibly that consolidation; but to me it doesn't make a lot of sense to have all of these different housing programs spread across the entire government, particularly at a time when those direct loans you are making, the taxpayers are having to go out and borrow that money for you to make those direct loans to those individuals. So to the extent that we can figure out a way to do that more efficiently, is appropriate.

Ms. Mensah, you mentioned in your testimony that Rural Development has been working with various partners to best serve America and with these private-public partnerships. Can you give me a few examples of what kinds of partnerships that you are talking about?

Ms. MENSAH. Sure. Thank you, Congressman. I would like to return to the Communities Facilities Program and tell you about a recent hospital construction that I saw in North Dakota, and in this case our private partner was a banking partner to do the construction piece of the financing, and then we would come later and take on a kind of risk that is very long-term tenor of a loan; for those of you who have been in finance, 40 year money. And that kind of partnership where a private bank often comes in first, does the interim financing, and then we come in later, that allows a lower income community, in this case for a kind of facility that cash is modest, if we can stretch out the tenor of that loan to 40 years, we have everybody in their best box, and so I would speak to that as one kind of partnership where we are in partnership with the private financial sector.

Mr. NEUGEBAUER. I want to go back to something that Congressman Conaway, Chairman Conaway, was talking about, and it is something I am interested in as well. That is a great public-private partnership, but there is not a lot of risk to that bank if they have the Federal Government to be the take out for the permanent financing. So I get that.

What I am looking for is those partnerships that want to share some of the risk with the taxpayers. In this particular case basically the taxpayers are taking most of the risk. What I would think more is a public-private partnership is where there is risk sharing. If you all have some examples of where there is some risk sharing, based on Mr. Conaway's questioning and my thoughts as well, we would like to see that.

Ms. MENSAH. I think it would be appropriate for us to come back to because we have partnerships in our utility work, with our housing work, and with our business work. But what is important here is that in many cases we do have credit elsewhere tests where we have to be the sole source. We are asked not to compete directly, perhaps though if I could just ask for an example from Administrator Rikker's portfolio in some of our business and industry programs where we are explicitly taking not a full guarantee of the loan and where the bank is making the loan.

Mr. NEUGEBAUER. Mr. Chairman, just for the record, the GA reported to Congress that 20 different Federal Government entities administer 160 different programs on housing in our government. I think that is too many.

The CHAIRMAN. Quickly, Mr. Ridders.

Mr. RIKKERS. Thank you. One of the flagship programs within the business programs that we have at RBS is the Business and Industry Loan Guarantee Program. Certainly it can guarantee loans up to 80 percent, but as those projects get bigger, it is only guaranteeing in some cases up to 60 percent. What those B&I loan guarantees are able to do is really extend credit into rural communities where lenders by themselves without that 60 percent guarantee may otherwise not be ready or available to lend those dollars.

And I was in South Dakota in May and went into an industry park and visited two of those projects where we extended that capital in a town just outside of Sturgis, South Dakota, and watched the work of these local lenders, met local lenders that with our loan guarantee were able to extend that credit, grow jobs, and create the economic development that the program is intended to do.

The CHAIRMAN. Thank you. The gentleman's time has expired. Mr. Peterson, 5 minutes.

**OPENING STATEMENT OF HON. COLLIN C. PETERSON, A  
REPRESENTATIVE IN CONGRESS FROM MINNESOTA**

Mr. PETERSON. Thank you, Mr. Chairman. I don't know who can answer this or if you want to. But somebody at USDA, I guess the Economic Research Service, came out with a study about the best and the worst places to live in America. Actually you fare pretty well down there.

Anyway, one of the things that Under Secretary Mensah was talking about is providing young rural entrepreneurs a reason to stay in rural areas, which we all want to do. But is it helpful for somebody to publish this map? My county is in the Red River Valley where Red Lake County was declared the worst county in America to live in. It was 3,111. So a reporter that picked up on this did this story. To his credit he came out to Red Lake County and spent 2 days, and he came back and basically said this information they came up with was a bunch of nonsense.

Are you familiar with this, and why are we spending money on stuff like this? I mean, how is this helping your situation.

Ms. MENSAH. I share the frustration with you because I have to answer questions about why are you championing rural America? Just give folks bus tickets. Let people leave. Why are you trying to make something happen? I so disagree with that. What I see is that the 15 percent of America's population that lives in rural areas, they understand why they are there. They would love their communities to thrive. And we as Americans need rural areas to thrive.

My father comes from Ghana, and in that country when you don't invest in rural, the whole country suffers. And I believe that that is part of our job here in Rural Development, to make the case. Many of the communities that I know you and I know, are absolutely beautiful places to live. When we can bring the broadband, the housing, the businesses, they will thrive, and they will help us all thrive. So I love being on the message of thriving. And I am familiar with your map. I wouldn't like it at all.

Mr. PETERSON. You better tell the Economic Research Service your view on this. So, when I am back home in August, in addition to going over and defending Red Lake County, I also went to another little town. This one is second to the bottom in the country. They have struggled. They had a flood in 1997 and we rebuilt the town; but they have a business going on there that is just phenomenal. It kind of started out of nowhere, a retired farmer and his wife. And they are booming. They are doing business in 56 countries. They are making some kind of little pieces that are used in jewelry, and they are shipping them all over the world. But part of the problem is they can't get adequate broadband in that com-

munity. And I run into this all over the place. I don't know how much money we have spent on this, putting money into broadband and the farm bill, the stimulus. We gave \$2 billion to you guys in the stimulus bill for broadband.

It seemed like the money that we spend gets sent out there to overbuild existing systems and does not get out to the rural areas where they are needed. Don Young and I have been working on trying to get rid of the Universal Service Fund, take that away from telephones and put it into broadband which needs to happen, but the telephone companies apparently are geared to the other thing or something, whatever it is. But how are we going to get past this and get these communities, like Ada, Minnesota where I was, broadband that they need?

Ms. MENSAH. Okay. I am going to ask Administrator McBride to speak to that. If I can just say that this is the thing I hear the most. What 80 years ago was the telephone and its importance; today it is broadband, and we are not giving up on those communities.

Mr. McBRIDE. Thank you for the question, Congressman. Certainly we would be happy to meet with folks in your community to see what we could do to be helpful. There was a survey done of rural businesses in Michigan that found that the annual revenues were \$200,000 greater for rural businesses that were connected as opposed to those that were not. So certainly we are aware of the importance of getting broadband out into those communities.

We do have a grant program community connect that might be a fit for the community you are referring to if they do not have existing service. With regard to overbuilding, the farm bill does include restrictions on how many service providers can be in a particular applicant's area before we fund a loan; so we do try to be diligent about going into communities that do not have service.

Mr. PETERSON. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Thompson, for 5 minutes.

Mr. THOMPSON. Thank you, Chairman. Madam Secretary, Administrators, thank you so much for being here, and thanks for what you do as well. I heard the word *thrive* being used. I would have to say that the only way that urban America, and I know that is the 25 percent of the land mass that we are not really talking about today—it is the 85 percent of the population—the only way urban America thrives is if rural America thrives.

We provide their food; we provide their building materials; we provide their natural resources; we provide their energy. And people work hard to do that, those of us who live in rural America. So my personal experience with your agency has been a very positive one. I appreciate how when the communities work hard and they apply for these loan funds, I give them all the credit because it is their due diligence. It makes a difference to those communities, and they have gone the route of looking to the private-sector first. They have exhausted those opportunities and resources.

Many times it is a collaboration. It is a true great examples of public-private partnerships. And so I want to thank you for what you do, and the fact is that if, how you serve rural America, be-

cause once again, if rural America fails, this country fails because those are just basic fundamental needs.

A couple of specific questions, starting with Administrator McBride, rural electricity, I am hearing a lot about the President's Clean Power Plan, and I am just curious, how will that, the President's Clean Power Plan, affect your loan portfolio?

Mr. McBRIDE. Right now we are not sure exactly how the plan will affect our portfolio because the states need to develop their plans now in response to the EPA's rule. We are in contact with our borrowers, with rural electric. We have a strong partnership with them. So we are trying to watch this situation as it evolves and make sure that we are ready to help our borrowers respond to the end result of the new rule.

Mr. THOMPSON. I have significant concerns. I work very closely with the rural electric cooperatives. They provide some of the most affordable kilowatt hour rates. They use a very diverse portfolio. They need to be able to do that. They have already been impacted with the war on coal, the closing of coal-fired power plants, even the closing of waste coal power plants, which essentially are cleaning up some scars from 100 years ago. It makes no sense. So I have tremendous concerns on that. I look forward to keeping in contact with you on that issue.

Mr. McBRIDE. Yes, sir.

Mr. THOMPSON. Administrator Hernandez, once again just revisiting the Community Facilities grants and loans program, which I have seen a lot of success in my rural communities. And the gentleman that runs Pennsylvania does such a great job, a former staffer here on the Hill for a Democratic Congressman, and so I appreciate his communications. The President's Fiscal Year 2016 budget request zeroed out the Community Facilities Guaranteed Loan Program and substantially increased the Community Facilities Grant Program.

So my question is, what was the rationale behind this, and do you view grants as more efficient use of taxpayer resources than guaranteed loans; and can you compare the workload for the approval process for a grant to that of a loan guarantee?

Mr. HERNANDEZ. Thank you, Congressman. The Community Facilities program has both grants and loans as you know. A lot of our communities can't take all of the loans, so they look for other ways to reduce their burden by getting a grant. And so we give grants also to increase their capacity so they can apply for more loans. So we do both.

We want people to have access to lower cost money. That is up to 40 years. But the grants sometimes give them the capacity so they can apply for the loan dollars. So we are actually training folks how to compete better for the loans, and that is why we do both. It is usually the same people that are doing the loans that are doing the grants, sir.

Mr. THOMPSON. Any insight as to why the President's budget request would have zeroed out the guaranteed loan program?

Mr. HERNANDEZ. From what I understand from our customers, they keep asking for lower cost dollars. When we do a guaranteed loan it is a little higher because that is the market that is setting the price. And so when we do a direct loan, we have the flexibility



to do both; and that is why a lender sometimes only wants to do part of the risk, so we work with them to reduce the risk so we can partner in both.

So we always need more dollars in the direct side because that is where we actually have more funding available.

Mr. THOMPSON. Okay. Thank you. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman yields back. Ms. Plaskett, for 5 minutes.

Ms. PLASKETT. Yes thank you, Mr. Chairman. Good morning everyone. I had a question for you, Administrator Rikkers about REAP, about Rural Energy for America Program projects. It has had a good bit of history under its belt by this time, and I wanted to ask you what do you find to be the projects that you are focusing most on; and how does that differ from projects potentially 5 years ago? What is the trend now?

Mr. RIKKERS. Thank you, Ms. Plaskett, and its Rikkers for the record.

Ms. PLASKETT. Rikkers. Thank you.

Mr. RIKKERS. Yes thank you. First I want to thank this Committee for its commitment to the Rural Energy for America Program, REAP as we know it as. You asked specifically what is the status of REAP today, and what does it look like compared to 5 years ago?

We have had a year where we have had more than \$80 million in REAP grants and a record number of REAP loan guaranteed dollars obligated that we will do this fiscal year, and I am proud of the work of our staff both in the national office and the field for that work.

Just touching on the point that has been made a couple times about the private-public partnerships even with the REAP grants, that is only 25 percent of a project; and so every time the Federal Government invests \$25 in REAP dollars in a grant, that is leveraging \$75 in private investment into those rural small businesses and agricultural producers that are using those dollars to make investments in renewable energy systems and energy efficiency improvements.

Ms. PLASKETT. And what are farmers and your applicants, what kind of projects are they most interested in right now?

Mr. RIKKERS. The projects really span a gamut of renewable energy systems and energy efficiency improvements, whether that is solar, wind, anaerobic digestion. We have geothermal and hydro.

I think part of when you really make the comparison between now and 5 years ago, what we see is because of the outreach of our staff, we are reaching further and are more geographically diverse. That is we are spending the REAP dollars not in just one area of the country. Five years ago REAP dollars were investing probably predominantly in the Midwest. We really have seen 36 states this year alone have used their entire REAP allocation on the grant side. And so we are really proud to see the REAP dollars going across the country to the various different types of technologies.

Ms. PLASKETT. Well, I am very interested in the project particularly in an area like the Virgin Islands which has limited resources in terms of fossil fuel energy that we are able to use. The cost is

really astronomical. And we have the natural resources that would make alternative energies a really good place.

And how do we capitalize on that for our farmers to be able to be much more productive. We have a 31 percent child poverty rate, and we have rural farmers who are really committed to getting the technical assistance and support to be able to be part of some of our nutrition programs and support for their own communities rather than also feeding those outside to really make that leap, so your program would be something that I know we would be interested in.

Madam Under Secretary, one of the questions I had for you was in terms of the large portfolio of loans that you do, \$200 billion invested, upwards of \$20 billion alone assisting rural areas throughout the United States. I addressed and spoke with your Secretary, Secretary Vilsack, written to him about the support that is needed for those areas which really have a great need of rural development areas. Most of my colleagues here who come from rural areas understand the need for your agency in particular and how important it is for basic infrastructure and support, not just in terms of utilities, but municipal buildings, schools and such.

Can you tell us a little bit—I know that my time is running out—how that can be helpful to places like the Virgin Islands and others which are really isolated. We haven't had a school built in over 30 years because we just cannot on our own support budgets like that.

Ms. MENSAH. Thank you for your question. My focus on core programs and on our people is exactly the way we are going to get to our poorest areas, to what I like to call our last mile, the unfinished work.

Our core programs like our Community Facilities are the kinds of programs that can be used for a school, for a hospital, for a police station. Those are the things I have toured. And our investments that you have enabled us to make in our staff allow us to keep people local so that they can reach places. They understand. They live in those communities themselves, our own team.

So the two areas, core and our people, really has allowed us to focus to get that kind of core development and not just skim the surface but to go deeper.

Ms. PLASKETT. I am looking forward to working with you on that and any support that you can give. And thank you very much, Mr. Chairman, for the time.

The CHAIRMAN. The gentlelady yields back. Mr. Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. Madam Secretary, I want to thank you for mentioning Second Harvest of south Georgia. My colleague Sanford Bishop and I have both had the privilege of representing the communities that they serve, and we were both there for the ribbon cutting; and that is a wonderful mission that those people take very seriously, and they take action to make sure that people have the food that they need across a large geographical area. And while it might be the second largest in terms of meals served, it probably serves the largest geographic area of most of the food banks in the country. So thank you for acknowledging them.

Many of my questions have been asked. I look forward to the responses on the risk-sharing and the percentage of risk that we are taking *versus* the private-sector and the loans that we guarantee. I had questions about the zeroing out of the President's budget which were asked by Mr. Thompson just before it came over to me.

I guess one of the questions I have, when we look at the budget, is there a difference in the workload of the agency among the direct lending, the participation lending, or a grant? Or is it about the same amount of work per procedure?

Ms. MENSAH. Let me ask my colleagues to give a couple of examples. But let me start by saying, direct lending, that is our toughest when we take on all the underwriting responsibilities, and whether that is in our housing program or the way we run our water program or the way we underwrite a business loan.

We have actually had some great successes in the way we have reduced workload, and I want to ask Administrator Hernandez to speak to the way we changed processes in our guaranteed housing program. That is our biggest program. We will nearly do \$20 billion of guarantees this year, and we have been able to streamline that efficiently and really change the workload. Can you speak to that.

Mr. HERNANDEZ. Sure can. Congressman, one of the major feedback we receive from our customers is getting more predictability in how we deliver services. What they have asked us to do is to come into the 21st century with automation. We are one of the only agencies that has a housing program that hasn't automated like other agencies. We are moving that direction now. We now with our process improvement save more than 37,000 reams of paper and can get an answer back in 48 hours. Where before it used to take us 8 weeks, 12 weeks to get an answer back because we didn't have the automation.

Just this last year we have implemented this what we call loan net guarantee and automatic loan closing. It saves the private-sector a significant amount of money but allows us to share the risk with the private-sector. The other reason that is so good is that there are more lenders out there that have access to capital for our customers that would not get it any other way if our lenders weren't there because our customers would not qualify for any other mortgage products. So we have a nice distribution system. We save them time. We save them money. And we are focused on the customer.

Mr. AUSTIN SCOTT of Georgia. My question was does one take longer than the other from the standpoint of the workload of the people that work in your agency? And one other thing, these loans are still originated from a mortgage broker or a bank when they happen; right? The average American citizen doesn't know this loan is available to them unless somebody that they are relying on to advise them tells them about this. Correct?

Mr. HERNANDEZ. That is correct, sir.

Mr. AUSTIN SCOTT of Georgia. So a bank or a mortgage broker—

Mr. HERNANDEZ. That is correct, sir. The loans are easier to do on the guarantee side because we have the automation that is there. The direct side, we don't have the automation yet. We will have that automation for the direct side in about 12 months.

Congress was very good to invest additional dollars for us to have automation. The reason we need both products because people who may not qualify for the guarantee, but they qualify for the direct. That is where Congress has given us more product variety to help more folks become homeowners, so it takes longer to do a direct loan than it does a guarantee, sir.

Mr. AUSTIN SCOTT of Georgia. So if I can make one further point, is that the American citizen who needs this loan doesn't know about it. It is a bank or it is a mortgage broker or somebody who advises them of the ability to get this loan.

One of my concerns, one of the things that has held the economy back, quite honestly, has been a position towards those industries from the Administration at a global picture, not necessarily in your agency. Do you see any potential restrictions on who can help originate those loans?

Mr. HERNANDEZ. There are restrictions. We are actually expanding how we are helping more and more customers by working with nonprofits, so they go out and find customers for the direct loan because we have had a reduction in staff over a number of years now. So we need to find another way to do outreach. So we need the trusted advisers like you are talking about. The realtors are very important, the lenders, but also a nonprofit to try to find the customers and educate them both on their options and do home buyer education. So we are trying to expand our outreach so we can get more customers.

On the direct side we usually go through 20 customers until we find one that is qualified, sir, on the direct side. We have to work real hard to find the right customers who have the ability to pay back. But we are expanding our resources by using our nonprofits, lenders, and realtors. And with the investments you have given us, we are doing automation to make that program more effective and more efficient.

Mr. AUSTIN SCOTT of Georgia. Mr. Chairman, I would just ask that we not push the private-sector out simply because we want to bring nonprofits in, sir.

The CHAIRMAN. Thank you. The gentleman's time has expired. Mr. Ashford, 5 minutes.

Mr. ASHFORD. Thank you. I would like to just talk about two—the Vice Chairman made a great point about housing, I thought, and about the number of programs that exist in the Federal Government on the HUD side and on the Rural Development USDA side. I ran a housing authority in Omaha for 3 or 4 years and was familiar with those differences and those jurisdictional boundaries.

It really causes—it seems to me, and the point that was made by the Vice Chairman is a really good one, is are there not, Administrator Hernandez, more opportunities, should be more opportunities for collaboration between rural housing opportunities and urban housing opportunities, especially in a place like Omaha, Nebraska, where what we want to do, economically, is we want to provide opportunities for urban people who are now living in an urban area to live in more rural areas to provide—

One of the things that is really holding our economy—our economy is doing very well. We have the lowest unemployment in the country and a lot of it is because of our ag-based sector.

But we see opportunities to bring urban people into the rural areas to help increase the economy of our state and especially hopefully as we increase trade through TPP and some of those programs, we need workers, and housing is a critical element to that, the point was made very well by the Vice Chairman to say, why do we have these—I know why we have them—but isn't there an opportunity for a collaboration between the two?

Mr. HERNANDEZ. Thank you Congressman. There is tremendous opportunity for collaboration, and we do that all the time. We have a number of committees trying to find ways, task forces to see what we can do better together. The difference really is who the customer is. USDA focuses only on rural. We are the only agency that has a mission just for rural America. We are the only one. So our expertise is better than anybody else in trying to solve problems in rural America.

So we look forward to giving advice to other agencies, how we do it so well so they can find the efficiency and effectiveness that we have and maybe they can model what we are doing.

Mr. ASHFORD. I think the point though is to just say we have rural America and urban America and draw those lines in the world that we are living in now with technology; we are talking about the Internet and about economies being not wedded to an urban area and rural area, that bifurcation, it doesn't make any sense to me.

And in practice, in a city like Omaha, where we want people to go back and forth between rural areas and urban areas where the jobs are, housing is a problem there. That is all I am saying.

And I think the more we could—you are right. Your agency does very innovative things, and I am aware of that, of those things, and housing authorities under HUD could learn from those things. But it is about people, not houses.

So what we really need to do is figure out a way to get people into rural Nebraska where really we need workers and provide housing for them and some of these programs that you do, interfacing with just letting people know who live in a housing authority, to letting them know that there are jobs out in Skyler, Nebraska, or Red Cloud, or wherever it is. And the housing, there is just that communication would be tremendously helpful to our state.

Mr. HERNANDEZ. I agree, sir. We need to find a way to enhance education for our customers so they have a better opportunity to see which products work for them.

Mr. ASHFORD. Right. And second, it is on another topic, and I want to get the names right here because I don't want to miss the names. Our Agriculture Marketing Services State Director, Maxine Moul, who was the Lieutenant Governor of Nebraska and a great friend, and I served with her, and of yours as well. We had a great marketing collaborative session in Omaha, and talking about the opportunities for expanding food production in urban and rural Nebraska, and Maxine did a great job.

But I want to compliment Anne Alonzo who was there as well who did a great job explaining all the opportunities. We really are doing some great initiatives in urban food desert things, and Anne was super as was, and I don't want to get this name wrong because

she did such a great job so I am going to take my time and look, but my time is almost up.

Anyway, I just want to thank the Department for what was really a great session: 150 people participated thinking about what we could do to bring urban and rural Nebraska together using food as the catalyst. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. And Madam Under Secretary, thank you, and the Administrators for being here.

I am going to start with Administrator McBride. In February *Politico* published an article highlighting the 116 percent default rate for Broadband Loan Program. Since then we have been informed this was a miscalculation, and comparing government loans to loans in the private-sector is actually not a true apples-to-apples comparison. Can you expand on that situation and give us a better understanding of what the true default rate is for that program?

Mr. MCBRIDE. You are referring to the farm bill loan program? That program was originally authorized in the 2002 Farm Bill and subsequently updated in the 2008 Farm Bill. Under those authorities we have made 100 loans. The default rate is 21 percent. Most of the defaults occurred very early on in the program. We have learned a great deal of lessons since then, and that is reflected certainly when you look at the other programs that we run and the defaults have decreased under that program.

We have two other loan programs that support broadband expansion. One is our Telecommunications Infrastructure Loan Program. Since 2009 we made 161 loans under that program with only one default, and under the stimulus program we have funded 255 construction projects and expect to have only one default at this time.

Mr. CRAWFORD. Where did they come up with that number, 116 percent default? I mean that seems, based on what you are telling me, that seems pretty out in left field.

Mr. MCBRIDE. The number was not intended to reflect a default rate. It should not have been in that, in the place where it was in the chart. It was not intended to reflect our default rate.

Mr. CRAWFORD. Okay. Thank you for clearing that up. Now that the new regulations for farm bill loan program has been published, what kind of loan demand are you seeing?

Mr. MCBRIDE. The program is open right now and is open until September 30. We expect the program to be oversubscribed this year. As the stimulus winds down, there are a number of service providers who are looking to come back to the farm bill loan program.

Mr. CRAWFORD. There was a report in May of last year, a GAO report, the agency recommended that USDA do a better job of identifying the characteristics of loans that may be at risk of rescission or default and that the Department align the goals in its annual performance report to the loan program's purpose.

Recently the Department issued a proposed interim final rule to revise the current broadband program regulations. Did the Department take into account the GAO recommendations when developing the new proposed rule?

Mr. McBRIDE. Yes, and we also tried to follow the instructions that Congress gave us in the farm bill.

Mr. CRAWFORD. Okay. What changes, if any, are being made, and how do you expect the new rules to improve the administration of the broadband program and the accountability for taxpayer dollars?

Mr. McBRIDE. The key change to the program that was actually provided in the farm bill is the reporting requirements where applicants, the applications and the service areas that they intend to provide service to will be posted online; so taxpayers, Members of Congress, whoever, can go online and look at the applications that we have received and where the service areas will be.

Mr. CRAWFORD. Okay. Excellent. Let me ask you about rural water, a couple of things here. In order to provide safe, healthy, and affordable drinking water and comply with the Safe Drinking Water Act and other Federal statutes, rural communities require technical expertise. I hear about this all the time at home, the circuit riders that are relied upon. How does USDA ensure rural communities have access to technical expertise to operate, maintain, and manage rural water systems?

Mr. McBRIDE. Congress gives us funding for two different programs that support that kind of assistance. One is the technical assistance program, and the other is the circuit rider program. And we work closely with the different organizations that provide those types of services and make sure to connect them with communities who need assistance. And our state offices do a great job of helping with that.

Mr. CRAWFORD. Are you seeing an increase in demand for those services?

Mr. McBRIDE. Yes, Congressman.

Mr. CRAWFORD. Okay. In the time I have left, it is our understanding that changes at the Census have driven changes to the formula that the agency uses to determine eligibility for rural water programs. Can you talk about those changes, how the Department is trying to mitigate the impact of those changes on rural communities and how the Department is working to publicize those options for those who might be affected?

Mr. McBRIDE. The changes in the Census data can have two different—there can be two ways that can affect us. One is if a community exceeds the 10,000 population limit, and we usually know the communities who are looking to submit an application, and we try to share information on other Federal programs that could assist them with their project.

The other change could be the median household income which we take into account when determining grant-to-loan ratios, so those are the two potential impacts from the Census data.

Mr. CRAWFORD. Thank you. I yield back.

The CHAIRMAN. The gentleman yields back. Ms. Adams, for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman. And thank you for being here to our panelists.

Rural Development administers the Business and Industry Guaranteed Loan Program which—and this question will be to the Secretary—for local and regional food projects.

And a few weeks ago, staff from the B&I program participated in a call to discuss the program with my staff and the fundraising staff for a local food retail in my district, the Renaissance Community Co-Op. It has broad community support. It is an important opportunity for improving food access in one of the food deserts in East Greensboro, but unfortunately Renaissance cannot qualify for the B&I program because they are not borrowing from a USDA preferred lender such as a chartered bank or a credit union.

Instead they are borrowing from a Treasury Department Certified Community Development Financial Institution. They chose this route for financing the food co-op because the cost of borrowing is lower than through a traditional bank. And my question is, what is USDA's rationale for excluding CDFIs as a preferred lender from the B&I program?

Ms. MENSAH. Thank you, Congresswoman Adams, and I will ask Administrator Rikkens to speak to this. As someone who has worked with Community Development Financial Institutions for most of my professional life, we certainly understand their importance. They work with us in other parts of the program, perhaps not in the B&I program. Administrator Rikkens, are you familiar with a case of—

Mr. RIKKERS. Representative Adams, I am not familiar with that specific case, but I understand the issue. CDFIs are an important partner across many of our programs, and we have used them under the B&I loan guarantee program.

If a CDFI is connected or partnered with a traditional lender and bank or a credit union, which many CDFIs are, then we can work with a CDFI.

In those cases where a CDFI is not connected to a traditional or regulated lender, there is a route for CDFIs to qualify under the B&I program as a nontraditional lender. And I am happy to circle back with your staff and work with our staff to see if those avenues have been explored.

Ms. ADAMS. Thank you. It seems that the B&I program is oriented toward rural areas with fewer lending options, and we have a concern about that.

But for food deserts in urban areas in the Twelfth District, the B&I program is one of the few funded programs that can improve food access, and we have a serious problem in the Twelfth District, particularly in the triad area in terms of food insecurity.

So I hope to work with USDA, going forward, to make sure that my district can better utilize this program, which is authorized to improve food access in both urban and rural communities; but it seems like we are kind of getting the short end of that stick, so we would be happy to talk to you further about it.

Thank you very much. Mr. Chairman, I yield back.

The CHAIRMAN. The gentlelady yields back.

Mr. Yoho, for 5 minutes.

Mr. YOH0. Thank you, Mr. Chairman. I appreciate it. I appreciate the panel being here.

Chairman Peterson and I grew up in Minnesota, and I can understand why that is. I remember two seasons up there: winter is coming and winter is here. And I remember the state bird being a mosquito. It was so big, it had feathers.



Getting back to the question here. Administrator McBride, I want to thank you for the work you did with our office in our district for the rural broadband. I would encourage anybody in here to reach out. You guys did a stellar job helping to solve or to bring up solutions to get that into our area, and I just want to thank you for that.

I want to kind of go back to Mr. Thompson's question. In my district in north central Florida, I have more EMCs municipal cooperative power companies than anywhere else in our state. And these companies rely heavily on RUS loan program which helps keep energy affordable in my rural district and districts across the country.

Due to the President's new Clean Power Plan, I have been hearing concerns from my folks back home, the cooperatives. And I want to kind of go off of his question: How do you expect the CPP to affect your loan portfolio? That was asked specifically. What will happen if the coal power plants with outstanding RUS loans cannot meet the requirement by the EPA? And if they have to shut down their doors, how is that going to affect you? Because we have some plants that are scheduled to run for another 15 years.

Mr. MCBRIDE. Thank you for the question.

We have about \$4.5 billion invested in coal power plants that may be affected by the EPA rule. At this time, it is unclear exactly what the impacts will be and how the state plans will be developed. We are in touch with our co-ops and want to work with them as they transition into this.

Mr. YOHO. If a state does not adopt a plan and we see our power plants close with these active loans, is that a possibility for default for you guys? Has that happened before?

Mr. MCBRIDE. I am not sure. I don't want to speculate on what the state plans will be.

Mr. YOHO. Was your agency in communication with the EPA on the rule writing in saying we have a certain amount of these plants that are in existence, they have a life span of 10 to 15 more years, is there a way they can be grandfathered in and weaned out of that so that they can adapt?

Mr. MCBRIDE. Yes, sir, we were in contact with them and they developed the rule.

Mr. YOHO. Under Secretary Mensah and Mr. Hernandez, to reiterate, that you said we have \$200 billion in loans and your default rate is very small, on your zero down, 100 percent financing, if I go back to the housing bubble—and we heard a lot of horror stories how this led partly to that—how long has that program been back in existence, or did it ever go out of existence? Did it ever go out zero down, 100 percent financing?

Mr. HERNANDEZ. Congressman, we are very fortunate this program was created under the Farmers Home Administration, so we have been in existence for over 40 years, and the program is still being very successful. But it is a small part of our program. The largest program is one we use with the private-sector. That is our guarantee program.

Mr. YOHO. Let me ask you this: Do you hold those loans in-house?

Mr. HERNANDEZ. We do.

Mr. YOHO. You don't rebundle them, repackage them, and sell them to the private-sector?

Mr. HERNANDEZ. We do not, sir.

Mr. YOHO. That leads up to a question I had yesterday. The USDA is doing these loans, so you are the servicer of these loans too, and it is a duplication of the private-sector, it is competition with the private-sector. Is there a way to devolve from the Federal Government, and do what you do as far as guaranteeing them and stand behind them, but yet, let the private-sector do them so you don't have a bank within the USDA and the bureaucracy that goes with that? What are your thoughts on that?

Mr. HERNANDEZ. Sir, the larger problem we have with the guarantee program is that private-sector service those. So we do about 140,000 loans a year. The private-sector does all those.

Mr. YOHO. These are the ones that are 100 percent guaranteed by you?

Mr. HERNANDEZ. Both of our products are 100 percent guaranteed. The largest one, the private-sector does for us. They originate it and they service it. So that is 140,000 loans every year. We do a smaller part, which is 7,000 loans per year, which is the direct loan. That is the smaller part. So the biggest one, we are not competing with the private-sector at all. We are actually partnering with the private-sector. Because when they cannot do a loan, they refer it to our direct program so we can find another way to help that customer if they can pay back the loan.

Mr. YOHO. So what is the purpose holding that within in-house instead of once you guarantee that loan, transition it out, so, again, you are not a bank, the Federal Government is not acting as a bank?

Mr. HERNANDEZ. Well, Congress has to give us some authority so we can do something that way. Right now, if we were to sell those loans, which we don't and cannot, all that money goes back to the Treasury and doesn't come back to the agency. So if that is what Congress wants to do, Congress can write the loan so we can do that.

Mr. YOHO. I just want to give you guys a thank you because you guys have financed so many things—a rural water treatment system in our area, rural hospitals—and you do a great job. Thank you.

I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Allen, for 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman. And thank you, panel, for joining us today and all that you do. Also, I want to thank you for, as my colleague mentioned, the Second Harvest of Georgia. We have met with them many times and are looking forward to seeing the great work that they do, and thank you for that.

There is one thing. In the 12th District of Georgia, we just need better cell service. I am telling you, it is tough traveling to that district when you keep breaking off calls, and, of course, we stay on the phone a good bit. So if we can keep working on that. I know you are.

And, also, as Congressman Yoho mentioned, we have a lot of EMCs in our district, and they have put a lot of money into many

of these coal plants meeting the current requirements as set by the Congress. And, of course, we know the EPA has stepped over that. But they have a tremendous investment there. They are very concerned about, again, retiring that debt and getting the life out of those plants. So we need to be sure that the other folks know that, and know what a critical situation that is. They are very concerned about that.

As far as the, Mr. McBride, in 2013, USDA finalized the Energy Efficiency and Conservation Loan program that was designed to help co-ops promote energy efficiency and renewable energy to their consumers. This saves energy while also saving consumers money on their energy bills. Do you have a success story that you would like to share with this program and how can we make this program more successful?

Mr. MCBRIDE. Thank you for the question. We have two great stories, one in Arkansas and one in North Carolina, where they took advantage of the Energy Efficiency and Conservation Loan program. We are able to help their customers make improvements, new heat pumps, weatherization practices. The Roanoke Cooperative in North Carolina actually has an on-bill fee that they charge their customers, and the customers' bills are actually lower with these new energy efficiency improvements. So we have seen success in those two projects.

We are working with the different electric cooperatives to expand the program. I think something like 96 percent of the electric cooperatives have some kind of energy efficiency program. And so we feel they will have a great interest in this. We are trying to communicate with them and provide information that they might need as they develop their potential applications.

Mr. ALLEN. That is good. And, again, thank you for your assistance with that program.

As you know, in 2008 and 2014, the farm bill has included ways that RUS could help their co-ops increase energy efficiency for the benefit of their consumers. How is RUS helping co-ops increase energy efficiency and what more can RUS do to promote these efficiency programs and make them successful?

Mr. MCBRIDE. The primary way that we are working with them right now is through the EQIP program and sharing information about that program, success stories in Arkansas and North Carolina, and making sure that they have the information that they need. We have a special partnership with the electric cooperatives. Our agency talks with them frequently and shares as much information as we have and try to help them as they consider potential energy efficiency improvements.

Mr. ALLEN. Have you ever been to one of their annual meetings?

Mr. MCBRIDE. Yes, sir, I have. I was there last week.

Mr. ALLEN. Really? That does your heart good, doesn't it? I will tell you what, those folks are doing a great job for us.

Well, thank you, and I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Trent Kelly, for 5 minutes.

Mr. KELLY. First of all, Madam Under Secretary, you have in your testimony about a gentleman, or a person, Ivory Smith, of Poplarville, Mississippi, and what a success story they are in the

Armed to Farm program. Of course, that combines two of the things that I love the most, which is my State of Mississippi, although not in my district, and also our veterans.

So I just wanted to thank you for that and thank you for recognizing that success story and which we hope will continue to be a success.

I spent the entire month of August in town hall meetings, being the newest Member up here, doing nothing but town halls or being engaged in all 22 of my counties which I represent, and over and over, whether it be large or small towns involved. And over and over again, the main concern that I got was the amount of regulation which we are getting across the board, whether it be in agriculture, or whether it be in banking or whatever, that just our small, local regular businesses can no longer perform and it is shutting them down and taking away opportunities. Whether that be a Dodd-Frank or whether that be *waters of the U.S.* or whether that be a number of other things that we have the Clean Power Plan, all those things are regulations which are putting restrictions on our most rural customers, who, a lot of times, don't have the technology, or don't have the access to technology, or don't have the income, or don't have the education, in order to comply with these regulations which seem like a good idea at a high level, but they are not at the end-user level.

What are you doing to help, or what is Rural Development doing to help them not only to comply with the regulations but, first of all, to understand what regulations they have?

Ms. MENSAH. Thank you, Congressman.

My first trip as Under Secretary was to your state. And what I saw that our agency is in a special place to do is that we are on the ground with the kind of citizens who are trying to borrow from us. Most of our programs are loan programs. And so our team—we have state offices, area offices—are able to sit with the people who come to us for water loans, for broadband loans, for community facilities. And while the applications can be long, we don't just leave people alone. We are able to work with them. I was able to announce one of our intermediary relending programs, where we are lending to an intermediary who then is making a grant to an intermediary who then makes more loans. So we try hard to be in a position that is forward looking to work with the local borrowers.

I am appreciative of everything this Committee has done to invest in our core programs and in our people to do that job.

Mr. KELLY. Thank you again. I want you to just know how grateful I am for what Rural Development and USDA as a whole does for my state, and I appreciate that.

On the broadband issue, Administrator McBride, I have a specific incident, and I won't mention names and those kind of things, but they got in on the pilot program of the broadband. And because they were involved in the pilot program, they are no longer eligible for any other programs for any loan things—this is what they are told—is because they were part of the pilot, they are not—do not have. Some of the later programs are better programs. And they are very important. They have been very successful. They brought broadband to areas in my district which otherwise would not have any Internet service whatsoever.

What, if anything, can you in your job do to make sure that if we have success stories where we are using the taxpayers' money wisely to bring those services to the people that were intended, that they are able to go out and not to forfeit on their loans, which they haven't done yet, but at the rate they are going they will, unless they can get more assistance to help them to ensure that they are doing it. Because they have been successful, but the amount of rates go down over time that you get back. And the bottom line is the big companies are not going to come in there and run broadband, so there is no one to replace it, so there is no service. So when the rates get so high that they no longer get the credit from USDA, or from Rural Development, then they just lose service because they just forfeit and can't pay it anymore.

Mr. MCBRIDE. Thank you for the question, Congressman. I would be happy to visit with the folks that you are referring to and see if there is anything that we can do. As the Under Secretary referenced, we want to work with all of our potential applicants in all the rural communities that we deal with. And while we are working very hard to follow instructions from Congress and our regulations, we also want to work with folks to be as selectable as we can to make sure that their projects are successful and see them provide the kind of services that they want to provide to rural America. So I would be happy to visit with the folks that you are referring to.

Mr. KELLY. I thank the panel, I thank you, Mr. Chairman, and I yield back the remainder of my time.

The CHAIRMAN. The gentleman yields back.

Mr. Abraham, for 5 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman. And I thank the panel. Under Secretary Mensah, thank you for your support of rural development. I will echo my esteemed colleague, Mr. Thompson's comments, that the good people of rural America, without them, the good people of urban America would be cold, tired, and hungry every day of their life.

My district is very rural. I live myself in about the middle of a soybean field. So we appreciate USDA's presence. Most of what we hear is very positive on our end from the USDA.

I want to also echo Mr. Kelly's, and some other comments here about the broadband. We certainly lack it. For our state-of-the-art businesses, they can't do business as they should, not as quickly and not as efficiently. I was in Lake Providence, Louisiana, this past Sunday at a prayer vigil for our law enforcement and Lake Providence is a quaint town on the banks of the Mississippi River. And I looked down at my cell phone and had no service, didn't even have a bar. And this is a city that has basically no service at all. So that is near and dear certainly to my constituents that we need that and we need it very quickly.

The question on these public-private partnerships, very much needed, again. We are Louisiana Delta. We are in poverty in much of where my district is. So we look for any method of funding, and public-private partnership seems to be one of those. But like has already been said here, we certainly want the private enterprise to assume some of the risk because they will certainly assume some

of the benefit if it works, and we don't want the taxpayers on the hook for the whole shebang, so to speak.

So I guess my question is, what specifically are we doing to keep the public aware and show them that these public-private partnerships are out there? What kind of dialogue are you guys having?

Ms. MENSAH. Thank you so much, Congressman, for raising the importance of broadband, but also asking what we are doing to keep the public aware of the kind of partnerships we are working on.

So much involves lender outreach for us—how we talk to our lending partners, how we reintroduce programs. This, again, has been such a strong year for us because of the authorities in the new farm bill.

I would like to ask Administrator Rikkens to speak more to some of the new outreach that we have pushed, particularly around some of our newer facilities, our REAP facilities, our renewed B&I, where we do ask people to come in, put their own skin in the game, yes, get our guarantee, but they are on the hook too.

Mr. RIKKERS. Representative Abraham, thank you for the question. There is also a project in Louisiana that is a modeling of the partnerships that the Under Secretary is referencing. There is a biodiesel facility that took a grant, it was a REAP grant, about \$370,000 in REAP grant—and, remember, that is only  $\frac{1}{4}$  of the grant cost—so a level much larger that was invested by the private company that was asking for that.

In addition, they combined that REAP grant together with the \$10 million B&I loan guarantee. And so if there is a project in your state where they were taking multiple programs from RD together with a private biodiesel firm and a private lender, all packaging it together, ultimately opening up new industries and developing an economy, a really vibrant economy for rural communities.

Mr. ABRAHAM. Thank you. Another quick question that kind of ponies off of Mr. Crawford's question on this rural water system. We have that issue also in my district. And I know there has been a change in Census that actually affected the change in eligibility of rural water systems. How are you guys mitigating that? Again, how are you reaching out to the stakeholders and keeping them informed, that type of deal?

Ms. MENSAH. Things have changed.

Again, Mr. McBride, please speak to the Census change in our water program.

Mr. MCBRIDE. Our water programs are actually run out of our state offices. And so we have state staff who are in frequent contact with the communities who would apply. And, of course, you have organizations like the National Rural Water Association who work with the communities to make sure that they are aware of any changes, and work with them to find alternatives in case their population now exceeds our 10,000 population cap.

Mr. ABRAHAM. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Moolenaar, for 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman, for having this hearing, and also for all of you for being part of this panel. I find it very informative.

I wanted to follow up specifically with you, Administrator McBride. I am from Michigan, and you had mentioned a Michigan report on broadband that you referenced. One of the questions that has been going through my mind is, when you think of a state like Michigan, when you think of my district, which is 15 counties, fairly rural, in wanting to know kind of where we stand relative to broadband and the needs of our local communities, and then how we would work with your office to advance these goals—obviously, you have a state office—and I am just kind of wondering, it is more of a process question is, how do local communities find out about the resources, how do they work with your office, the state office, how would they work with my office, so that we can all be working together to kind of advance an agenda?

Mr. MCBRIDE. Sure. Thank you for the question. I would encourage your constituents to start with our state office in Michigan. We also have several regional offices in the various states. I would encourage them to start there, and discuss the type of programs that we have available. And then once there is a consensus at the local level of how the communities would like to proceed, we can meet with them and our state staff to make sure that everyone is on the same page. Our state staff is really the first point of contact because they can provide information on the different loans and grant programs, eligibility requirements, things of that nature, that would help your constituents as they put a plan together.

Mr. MOOLENAAR. And if we wanted to share information about the resources to start that dialogue, would we work with your office to send something out or to have forms, those kinds of things?

Mr. MCBRIDE. Yes, sir, we would be happy to work with you on that.

Mr. MOOLENAAR. When you mentioned the Michigan report, I have heard that as well in terms of just how just to be competitive, you need access to those resources. Where are we in this whole—and I guess rural America, not just Michigan, not just my district—but where are we, if our goal was 100 percent coverage, where are we in that?

Mr. MCBRIDE. The SEC released a report earlier this spring that showed that about 50 percent of rural America had access to the same high-speed Internet that is available in urban areas. So we have some work to do. We made a lot of progress, but there is still work to do.

Mr. MOOLENAAR. And what would be the elements of a plan to get to that 100 percent goal? Is it all a financial issue?

Mr. MCBRIDE. In a lot of instances, getting into the most remote rural hard-to-reach regions is very expensive. And so, we try to work with potential borrowers who want to do that work and give them the resources that they would need. But there is a lot of work that goes into that, both on the part of the provider that would go into those communities and with the agency to make sure that we are making loans that are sustainable.

Mr. MOOLENAAR. Thank you very much, Mr. Chairman. I yield back my time.

The CHAIRMAN. The gentleman yields back.

Mrs. Hartzler, for 5 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman.

As being part of the 15 percent that you reference, I appreciate your focus on rural communities in this country because I am a little partial, but it is the best place. And, as you say, I appreciate, Under Secretary, you saying that we feed the world, and that is so true. What you do is so important.

And I wanted to start with Mr. McBride there. We talked a lot about broadband. But we have a rural electric cooperative in my district who is just doing some amazing things putting in broadband, and has provided over 2,000 customers now with high-speed broadband that they wouldn't have had before. And I just wondered how widespread is the use of rural electric cooperatives to help fill this gap, and how can we promote it, as well as what are some of the barriers to being able to encourage them to reach out and provide this service?

Mr. MCBRIDE. Thank you for the question. A number of the rural electric cooperatives are starting to provide this service because there is a synergy between their smart grid technology and high-speed Internet. And so we have seen a number of our borrowers start to think along these lines to see what they can do to expand broadband access.

From our perspective at Rural Development, we realize that no one is working in rural America in a silo. Our communities will be much more successful if we have partnerships between the rural electric cooperative, between the telecommunications cooperative, and the other utilities and industry in those communities. So we try to encourage all of our partners, and we try to work together as an agency to make sure that we are working with communities to reach their full potential and build out their infrastructure.

Mrs. HARTZLER. Are you providing several loans to rural electric cooperatives to pursue this?

Mr. MCBRIDE. We have made some loans on smart grid technology, and I can follow up with you on the specific number.

Mrs. HARTZLER. I was wondering, just in general, do you have maps in the United States showing places where people have access to broadband and not?

Mr. MCBRIDE. Yes, ma'am.

Mrs. HARTZLER. I would like one for my district, or Missouri. I think that would be very helpful.

This is just a general question, Under Secretary Mensah. Since your agency deals a lot with loans, there has been a lot of change as to how loans are processed for private commercial banks since Dodd-Frank. And I visited with them ever since I have been elected to serve here and it is very, very, very onerous. Getting a housing loan used to take five pages. Now, on average, it is 50 pages that a homeowner has to go through. And I just wondered—and maybe this would be also a question for Administrator Hernandez—but after Dodd-Frank passed, have you seen any changes to the paperwork that you have to do to give a loan for housing?

Mr. HERNANDEZ. Congresswoman, thank you.

Dodd-Frank is an important part for us to be in compliance and so we work with our lenders. And part of our process is trying to make sure that we automate our processes. And that is why lenders have come to us and said if you change the way you do business, it will make our participation a lot easier. So there is more,



we think more compliance, but we think it is appropriate for us to make sure we are doing good loans and there is good lending being done.

Mrs. HARTZLER. So what changes, though, have you seen to how loans are done before and after Dodd-Frank?

Mr. HERNANDEZ. The major change is more education to the home buyer to make sure they know what responsibility they are taking on. That was the whole purpose of that, just trying to make sure home buyers only sign the dotted line when they know there is good lending and there is good compliance from the lender's point of view. That is very important. So we spend lots of time doing home buyer education with our customers trying to make sure they know what they are doing is the right thing and they can pay back the loan.

I can get you more specifics on what additional paperwork or things that we are going through, so I can do that for you if you would like.

Mrs. HARTZLER. Have you had to hire more people in order to comply?

Mr. HERNANDEZ. Actually, we had lost a number of staff for a number of years, over 20+ percent less staff. That is why automation is so important to us. As we invest the dollars that Congress has given us to automate more, it saves our lenders' time, which a majority of our program is for private-sector due to lending. So with that investment in technology, we can save more time.

Mrs. HARTZLER. Very good. And I have only 30 seconds left.

Administrator McBride, a lot of my small communities are having trouble changing the way they treat their water, the water treatment systems, because of the changes from EPA. So what has EPA done that has caused this to happen?

Mr. MCBRIDE. Thank you for the question. I am not sure exactly which regulation that you are referring to.

Mrs. HARTZLER. There are so many.

Mr. MCBRIDE. I would be happy to work with your community to see what we can do to help them comply.

Mrs. HARTZLER. Thank you. I yield back.

The CHAIRMAN. The gentlelady yields back.

Mr. Gibson, for 5 minutes.

Mr. GIBSON. Thank you, Mr. Chairman. I appreciate the witnesses too. It is a very informative and helpful hearing. I just want to express my gratitude. These programs are essential to my district, and generally we are very pleased with your responsiveness and the way things are going, so thank you for that.

The broadband issue is one we have been involved with in my office—2011, an amendment on restoring funding for the low interest loan program involved in the farm bill with some of these reforms that Mr. Crawford was mentioning earlier. I appreciate your responsiveness to all this. And, really, I agree with your point that we have certainly learned from some earlier challenges and looking to perfect the program.

So my question really is that I was encouraged to see you have a report coming soon, the collaborative work that is being done between USDA and Commerce. This is one of the things that I have learned in my time. I was in the military until about 5½ years ago.

And I have found that there have been times when I am having to perform a role like a liaison who used to be a chief of staff—when we had the storms Hurricanes Irene and Lee and Sandy and we were getting aid out—and there really wasn't a synchronizer, somebody who was integrating these programs.

So I was encouraged to see that you are collaborating with Congress because, candidly, this has been among my frustrations, is that out there in the 19th District in New York in upstate, we are working with the Rural Utilities Service—thank you very much for that—and also the Connect America Fund. And so I would like to hear more about that process, about how you are working together, because we seem to hit the end of one program and the possibilities of another.

And so I am looking for a little bit of inspiration that you guys are looking at that problem, too. I realize I put you in an uncomfortable position because you are sort of at the edge of your authority and at the beginning of somebody else's, but this is really where the real advantages or the real progress we can make when we actually integrate these programs better.

Ms. MENSAH. Thank you. I will let Administrator McBride speak to the collaboration between Commerce and USDA.

I will say that there are times when our regulations prevent us from going to a community that is of a certain size. And then that collaboration is even more important because we can cover a broader swath of the country.

Mr. MCBRIDE. Thank you for the question, Congressman.

The White House Rural Council actually gives us a framework to work across agencies and communicate and make sure that we are sharing information on our programs with different agencies who maybe can't fund a project through one of their programs. So we are trying to do the best that we can to coordinate at a Federal level. As difficult as that can be sometimes, we are trying to coordinate to make sure that we are actually getting the information to the folks that can use it.

I grew up in rural Arkansas, and so I am very familiar with the challenges that small communities can have, and oftentimes they don't have grant writers, oftentimes they don't have folks who can identify the programs that they might be able to access. And so that is something, with the Under Secretary's leadership, that we have worked very hard to do in Rural Development, to make sure that we are sharing information with people who would be interested in that, and also making sure that we are aware of things that are going on in other agencies, or there might be some synergies and we can collaborate.

Mr. GIBSON. Thank you. To put a finer point on this, so in our district, electrical co-ops are also in the space of broadband expansion doing yeoman's work on it. I call your program sort of like the ground game. We get 2 or 3 yards and a cloud of dust. And then we have the real possibility with the Connect America Fund, but the first round wouldn't let the electrical co-ops get access to that program.

It does seem encouraging now that we are getting a review of that and our co-ops are now going to get access to that. But that is really the question that I am raising here is, is somebody sort

of looking at this from an integrator standpoint and saying, "Look, there are a lot of efforts that are trying to expand broadband." In rural America, we have disparate but yet complementary programs. Is anybody working to maybe tie up some of the fine point details of these regulations so that we can get the maximum value out of it?

Mr. McBRIDE. Yes, sir. We have about, \$55 million this year in the farm bill loan program. Then we have our infrastructure program, then we have Community Connect. All of these programs tend to be oversubscribed. And so we are aware of the need to work with other agencies and make sure that we are connecting dots there.

Mr. GIBSON. Thank you. I will submit for the record really just an observation. Visiting my food banks, I was very encouraged to hear about Second Harvest. It is a great story.

I just wanted to share with you. In some of my visits, I have found cans of goods on the shelves, a lot of imported food from China. I don't know if you knew about that. We have food banks that have canned goods from China or not, but I wanted to share that with you. I don't know if you have a reporting element that picks up on that. But I am just a little concerned about that.

Thank you for your great work.

The CHAIRMAN. The gentleman's time has expired.

Mr. Rouzer, for 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman. And, Madam Under Secretary, I appreciate you and your Administrators coming to join us today. As you may know, I used to be at USDA Rural Development, and so, perhaps, learned a little more than maybe even I wanted to while I was there. I see some of my old bosses in the crowd back there with smiles on their faces, so great to have you here today.

A question for you. I am curious about the Rural Business—Cooperative Service reorganization there and what is taking place, and very curious about the state of the value-added program. That was of great interest of mine when I was there at the Department.

Ms. MENSAH. Thank you for both questions. We tend to, as you know, we are always looking for ways to continue to do our work in the most efficient way possible. And your former area of Rural Business—Cooperative Service is so important to us, both in the way it handles its business in cooperative loans and the way it handles the new energy work and our renewed focus on community economic development.

And I will let Administrator Rikkers speak to that and to your concern also with Value-Added Producer Grants, one of my favorite programs because of what it is able to do in unlocking more potential. I think it is thriving.

If you could say a little more, Administrator Rikkers.

Mr. RIKKERS. Thank you, Congressman Rouzer. It is a unique opportunity to speak to someone who was at least close to where I am today. It is special. So thank you for your question.

To your first question of the reorganization draft plan that we have now, it is a proposed reorganization within the Rural Business—Cooperative Service that is working its way through the Rural Development review. Before starting this review, we made sure, first and foremost, that we made sure that we communicated

effectively and had spent time with the staff of both the appropriations staff of the Senate and House and the authorizing staff of both the Senate and the House. And have also met with stakeholders that have an interest in the reorganization.

The reorganization is minor in the functioning of RBS. What it does is it makes some changes to our program so that we can better manage the responsibilities that, first, Congress has given us in our energy programs through the 2014 Farm Bill. It also changes and improves the management so that the important work that we do for cooperatives is better integrated with the core programs that we deliver. All of the functions that are currently being done now at RBS will continue to be performed. Although we think that through this reorganization, that we will be able to manage it more effectively.

To your point about the Value-Added Producer Grant, it is a coveted program within RD, first, for the Committee, and the Committee instructed the USDA in the 2014 Farm Bill to make sure that it prioritized new and beginning farmers, as well as veteran farmers. And so in the new regulation that was published earlier this year, those priorities are reflected in the new regulation.

We are working diligently, and we will be making awards by the end of this fiscal year, and we look forward to the results. And we know that they will reflect those priorities that this body had us incorporate into the regulations. So thank you.

Mr. ROUZER. The B&I program has always been the flagship, obviously. How is our default rate looking on that these days?

Mr. RIKKERS. We are at a historic low, I am proud to report. The default rate, or delinquency rate, nationally is under five percent. It is 4.87 as of this morning. So thank you.

Mr. ROUZER. Mr. Hernandez, Community Facilities program was a popular one in my district. I have a lot of rural areas, a lot of small towns, a lot of fire stations, medical clinics, town halls, *et cetera*, that are always needing a little help. I remember when I was there, the demand for that program was just astronomical. I am just wondering what your dollar amount is, what the demand is these days? How large is your backlog?

Mr. HERNANDEZ. The demand, Congressman, for this program is just outstanding. We get an appropriation of \$2.2 billion. This year we think we are probably close, close to \$1.1 billion. Forty-six percent of that is invested in rural health care. That is where a lot of the rural towns are looking for ways to any type of access to health care for facilities, equipment, and buildings; 20 percent is for education; and 50 percent for public infrastructure. People love this program. It helps change and build the community that you need to do with housing. You have to do both. Because what happens is people have to drive too far and so they need the facility, but they also need housing, both.

Mr. ROUZER. Mr. Chairman, unfortunately, I see my time has expired.

The CHAIRMAN. The gentleman's time has expired.

Mr. Goodlatte, for 5 minutes.

Mr. GOODLATTE. Thank you, Mr. Chairman. I appreciate your holding this series of hearings. And I want to welcome all of our witnesses.

To the Under Secretary and to Administrator McBride, I want to reiterate what a number of folks have said here about the importance of the services for economic development in rural areas. About  $\frac{1}{3}$  of the population of my district is in rural areas, and your work has had a tremendous impact on promoting and, in some instances, stabilizing economic development that might not take place but for your help.

One of those areas, Administrator McBride, is the issue of rural broadband services. It is very, very important, but also has to be done very, very delicately. This is not like originally delivering telephone services or rural electrification where it was either there or it wasn't there. In the old monopoly days where there was either one phone company providing services or there was no phone company providing services, that was a fairly easy call. But today, broadband services are provided from a multitude of different sources, and you can inadvertently destroy existing competition by providing government subsidies to entities that enter the marketplace, not to provide strictly new service to an area that doesn't have any, but also to make their business more profitable and go into areas where there is already competition. Tell me, how are you handling that and how is it working?

Mr. McBRIDE. Thank you for the question, Congressman.

The 2014 Farm Bill actually instituted an unserved requirement for the first time for our potential applicants. So for any applicant that is successful through the farm bill loan program, at least 15 percent of that proposed service territory will be unserved.

Mr. GOODLATTE. What is happening in the other 85 percent?

Mr. McBRIDE. Well, the second piece of this in terms of determining eligibility is that there is a requirement that there can be no more than three existing service providers. That is also in statute, and so we are careful to make sure that we are following that.

Mr. GOODLATTE. What kind of complaints have you received from some of those existing providers who may be, for example, providing what had historically been broadband services, but as these speeds increase and increase and increase, it no longer is, and now there is the subsidy for a new competitor coming in?

Mr. McBRIDE. Part of the farm bill requirements that require us to post potential applications online will give existing service providers the ability to see who is applying, and they can contact us with any concerns that they might have.

Mr. GOODLATTE. Is there any effort to balance this out? So if an existing provider comes in and says, well, you just gave this financing to this company that come in and provide this service, what opportunity do they have to get loans in order to upgrade their services to be competitive?

Mr. McBRIDE. Assuming that the existing service provider met the eligibility requirements under the program, they could potentially apply as well.

Mr. GOODLATTE. What if they didn't want to go into the 15 percent new file, they just wanted to be able to compete with somebody that you subsidized to compete with them?

Mr. McBRIDE. We would need to look at their application and discuss with them the possibilities that they are considering.

Mr. GOODLATTE. Well, could they qualify if they didn't have that 15 percent requirement?

Mr. MCBRIDE. We are required to include a 15 percent unserved territory under the farm bill.

Mr. GOODLATTE. Should there be an exception for these type of circumstances where you have let a new entrant into the market, they are competing very effectively in an already existent marketplace to the disadvantage of people who used private capital to invest in that same area?

Mr. MCBRIDE. I wouldn't speculate on exceptions. I don't think I have that authority under the statute.

Mr. GOODLATTE. I am just asking your opinion, I am not asking you to make the decision.

Mr. MCBRIDE. I would want to see the potential applicants and the concerns that they raised and consider that fully before offering an opinion.

Mr. GOODLATTE. Let me ask you one other subject area with regard to rural electricity. How will the President's Clean Power Plan affect your loan portfolio?

Mr. MCBRIDE. Right now, the action has moved to the states as they develop their plans. As I mentioned earlier, we are in frequent contact with all of our borrowers, and will want to work with them to make sure that they have the tools that they need to respond to the plan.

Mr. GOODLATTE. Do you not have any concerns that some of the loans that you have outstanding may be jeopardized by the massive change in this policy?

Mr. MCBRIDE. Without seeing the specific plans put forward by the states, I would hesitate to speculate on the impacts on individual borrowers.

Mr. GOODLATTE. So you are going to put us off?

Mr. MCBRIDE. We will be in touch with you as we move forward on this.

Mr. GOODLATTE. All right. Thank you very much.

The CHAIRMAN. Mr. King, for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. I thank the witnesses for your testimony.

A couple of things come to mind as I listened to Mr. Goodlatte. One of them is—and I pose my first question to Mr. McBride—there is a model out there that has emerged, or is emerging, that sees rural water systems incorporating septic systems, rural septic systems. I shouldn't use that word *incorporate*, but incorporate into their business model, not into the water system, where they would go in and build a system and then lease that system back to the property owner so that the property owner is no longer in ownership of their own leach field, but they are paying a monthly fee in order to avoid their requirement that is likely an EPA requirement that they upgrade their system.

Could you comment on what that looks like for a business model, and what that might look like if much of the United States that is served by rural water would end up also being served by a rural water system that also does the sewer system?

Mr. MCBRIDE. Thank you for the question, Congressman. That is not a specific issue that has been brought to my attention, but I

would be happy to follow up with you after the hearing and discuss the instances that you are referring to and look at that.

Mr. KING. I appreciate that direct response, and I look forward to a comment further on that. I just don't know that anybody has looked into that very far to contemplate what that means for, let's say, a county, a state, a nation. I think that goes a lot further than what this Congress imagined. So I would ask you to take a look at that.

Mr. MCBRIDE. Yes, sir.

Mr. KING. I thank you for that.

I would like to, then, turn to Under Secretary Mensah. And, again, thank you for your testimony.

I am thinking in terms of rural development, and have many times, from this platform, said that all new wealth comes from the land. And you can mine it out of the Earth, and you can seine a few fish out of the ocean, but it is fields and mines, and the wealth, actually renewable wealth, comes out of the land itself. So when we talk about rural development, I know that there has been a concerted effort on the part of the USDA to focus on, especially development of our small towns and communities. I do think that is admirable, and it is about the second best way that you can raise children. If you can't raise them on a family farm, you can raise them in a small town or rural area. It is a pretty good thing to promote.

But I am concerned about the regulation we have on top of us now, the *waters of the United States*. And I lay that foundation for the economic development side of this because the utilization of this land has been driven by a desire for profit from people who are good stewards of the land. And the *waters of the United States* regulation turns this thing on its head, where it puts our producers in a position where they have to ask permission in order to utilize their property that they have invested in, either in their lifetime or in previous generations.

I wonder if you would comment on what you think the impact is of an EPA that has a reach that—just a moment. I should probably lay a little more foundation on this.

I am in Iowa. So the *waters of the United States* regulations, according to the map that has been delivered to me, would cover 96.7 percent of Iowa. We don't have an ocean, some say we don't have a beach; 96.7 percent of the state, and the balance of that is in the prairie pothole region that looks to me like they are already designated wetlands.

So it could be that the Federal Government has reached out to put special regulations on nearly every square foot of my state. And there are some 50+ practices that are essentially approved by this proposal, but many of those practices have been developed in my lifetime. So new practices they would have to have permission for.

And I just ask you if you could comment on the threat that this is to put the Federal Government in a position to control crop inputs, to control nitrogen, for example. If they can do that, they can control production, they can limit the value of your land, and that affects rural development. So I would ask if you could comment on *waters of the United States*.

Ms. MENSAH. Congressman, thank you for your clear passion for where wealth comes from, wealth from the land, and your passion for your producers.

I do not have a role in the *waters of the U.S.* rule. But what I can tell you is that Rural Development has been standing by the small communities, the producers, the people that need broadband, that need housing, that need businesses, and that is really our role, and I look forward to seeing that continue.

Mr. KING. I would just ask you to couple that into your thinking because the well-being of the people in these communities is going to be directly tied to the profitability of the land that surrounds them.

I appreciate your comments and your testimony.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman yields back.

I want to thank our panel today for coming up and sharing with us. We appreciate your testimony and your candor. I appreciate what you do. The four of you supervise an important part of the farm bill and the work that it does, but rural America and production agriculture can't prosper without each other. So I appreciate the work you do and I appreciate this morning's testimony.

[Recess.]

The CHAIRMAN. Good morning. Welcome to our second panel.

Before I introduce our panel, administrative business. Given the really strong showing of Members today, I want to ask unanimous consent that we take the questioning time to 4 minutes instead of 5. We had hoped to have both panels done this morning by 12:30 so we would have time for the afternoon panel. So we will go to 4 minutes for questions for everybody. And rather than taking a formal lunch break, Members are advised that we have food in 1302, so come and go as you please to take care of that, and we will move on to the panel.

I would now like to welcome our second panel. We have the Honorable Ed Avalos, Under Secretary, Marketing and Regulatory Programs, USDA; Mr. Alfred Almanza, Deputy Under Secretary for Food Safety, USDA; and then joining both Under Secretaries Avalos and Almanza, we have Ms. Anne Alonzo, Administrator, Agricultural Marketing Service; Mr. Kevin Shea, Administrator, Animal and Plant Health Inspection Service; and Mr. Larry Mitchell, Administrator, Grain Inspection, Packers and Stockyards Administration.

Let me, again, thank the panel for coming this afternoon. I appreciate your patience with the morning panel which went a little longer. We are now ready for the report from you on the good work that you do. So, Mr. Avalos, if you would start us off, we will be good to go.



**STATEMENT OF HON. EDWARD M. AVALOS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY ANNE L. ALONZO, J.D., ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, USDA; KEVIN SHEA, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, USDA; AND LARRY MITCHELL, ADMINISTRATOR, GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION, USDA**

Mr. AVALOS. Mr. Chairman and distinguished Members of this Committee, I am pleased to appear before you to discuss activities of U.S. Department of Agriculture Marketing and Regulatory Programs mission area, which includes the Agricultural Marketing Service, AMS, Animal and Plant Health Inspection Service, APHIS, and the Grain Inspection, Packers and Stockyards Administration, GIPSA.

With me today are Mr. Kevin Shea, Administrator for APHIS; Ms. Anne Alonzo, Administrator for AMS; and Mr. Larry Mitchell, Administrator for GIPSA.

Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. MRP programs contribute significantly to the success and development of domestic and international markets in a variety of ways. Each of our agencies has unique responsibilities that are crucial to this work. Today, my colleagues and I are here to discuss some of these responsibilities and how we contribute to the success and profitability of American agriculture.

APHIS' primary mission is to safeguard health and value of U.S. agriculture and other plant and animal resources. The agency's programs protect U.S. livestock, poultry, and specialty crops which are worth more than \$191 billion. Also, they assure well-being of animals covered under the Animal Welfare Act. APHIS employees come to work every day across the country and around the world to serve the diverse array of customers and stakeholders and respond to challenges and threats as they arise, such as avian influenza. These customers include ranchers, farmers, poultry producers, licensed animal dealers, importers, exporters, and many, many others.

While APHIS is engaged in this crucial work, the agency is also doing so much more with less. We have lost over \$400 million in appropriations over the last 4 years.

One area where APHIS has made significant strides is with its biotech petition review process. In recent years, this process has taken more than 3 years for review, and preparation of evaluations necessary to make the decisions. Such delays added to a growing backlog of petitions. To address this situation, APHIS undertook a business process improvement review, which allowed APHIS to eliminate the backlog and to cut review times down to about 18 months. And in the near future when the process is fully implemented, the review time will be down to around 15 months.

USDA and APHIS have been confronting the largest animal health emergency in this country's history. APHIS is dealing with an unprecedented outbreak of highly pathogenic avian influenza, taking a heavy toll on the poultry industry. Mr. Chairman and

Members of this Committee, I can assure you, however, that this disease has USDA's fullest attention and we are committed to standing with our producers, poultry industry, and the rural communities to get them back on their feet.

In Fiscal Year 2014, APHIS requested and received funding from Congress to initiate the National Feral Swine Damage Management program. These animals cause damage estimated at \$1.5 billion every year and pose risks to agriculture, natural resources, property, animal health, human health and safety. APHIS is working to remove animals in 41 states, and together with our partners, APHIS established state-level management control plans that outline our management goals and objectives with regard to feral swine in each state. Depending on local conditions, these range from total elimination of feral swine populations to management of individual populations.

We also appreciate Congress' support of the Huanglongbing, HLB, Multi-Agency Coordination group. With support from Congress, the HLB MAC has been able to approve \$20 million in projects to put practical tools to work in the field now while longer-term solutions are being developed. MAC is working very hard in support of the citrus industry to fund near-term practical tools and solutions for the industry to use in combating citrus greening.

APHIS has made significant progress in addressing a variety of other plant pests, including our successful work with the State of California to address and to keep the European grapevine moth from maintaining a foothold.

I am also proud of the work that APHIS has done towards eradicating the boll weevils from the United States. Through the agency's work with state partners, the cotton industry and our counterparts in Mexico, APHIS has worked to eradicate boll weevils from over 99 percent of the 16 million acres of U.S. cotton.

APHIS also used funding provided by the 2014 Farm Bill to continue to enhance plant health through two important programs—the Plant Pest and Disease Management and Disaster Prevention program and the National Clean Plant Network program. Since 2009, APHIS has funded more than 1,800 projects in 50 states and two U.S. territories.

The ability to export is key to the growth, profitability, and continued success for our U.S. farmers, ranchers, and related agricultural businesses. For some crops, 50 percent or more of our production is exported, including 80 percent of U.S. cotton, 70 percent of tree nuts, 50 percent of wheat, and 50 percent of rice. Agricultural exports were a record \$152 billion last year, and have climbed more than 58 percent in value since 2009.

Last year, APHIS, in cooperation with other agencies, successfully negotiated and resolved a total of 170 sanitary and phytosanitary trade-related issues involving U.S. agricultural exports, with an estimated value of \$2.5 billion. APHIS also successfully intervened in 273 situations where U.S. cargo was being held up in foreign ports of entry, which prevented and rejected shipments worth more than \$49 million.

The mission of AMS is to facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops. AMS administers programs that create domestic and inter-

national marketing opportunities for U.S. producers. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

AMS carries a wide range of programs under the authorization of the Agricultural Marketing Act of 1946, as well as over 50 other statutes. More than ½ of the funds needed to finance AMS activities are derived from voluntary user fees. AMS also provides services for private industry and state and Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative agreements with State Departments of Agriculture and other agencies.

AMS employees work every day to support the country's diverse agricultural operations. The agency's workforce includes marketing specialists, commodity graders, economists, *Market News* reporters, scientists, and analysts who support the marketing of American agricultural products and work in industry-specific processing plants, terminal and shipping point markets, production facilities, and office environments. AMS provides services and awards millions of dollars in annual grant investments that create opportunities by supporting economic development in small towns and rural communities across the United States.

Much of the agency's support for agriculture is provided through commodity-specific efforts, such as its dairy; food and vegetable; livestock, poultry and seed; and cotton and tobacco programs. AMS also oversees the National Organic Program; Science and Technology Program; and the Transportation and Marketing Program. Further, AMS provides oversight for 20 research and promotion programs.

I would like to provide a few examples of how AMS activities touch and benefit U.S. agricultural producers and consumers. One of the most widely used programs is *Market News*. This year marks the 100 year anniversary for AMS *Market News*, which provides agricultural stakeholders with information they need to evaluate market conditions and trends, to make marketing decisions, and to assess movement of products across the nation and across the world.

Another key AMS activity is purchasing nonprice supported commodities, such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32 and in support of nutrition assistance programs within USDA.

The AMS grant programs also play an important role in facilitating marketing, assisting states in exploring new market opportunities for U.S. food and agricultural products both locally and internationally.

The CHAIRMAN. Mr. Avalos, you are a little past the 5 minute mark. Do you want to go ahead and finish up?

Mr. AVALOS. Well, okay, Mr. Chairman. This was turned in, I guess the Members will read it?

The CHAIRMAN. The written report, your written comments, will be in the record, of course. Any last couple thoughts?

Mr. AVALOS. Mr. Chairman, let me just say this: I want to thank you and the Committee for an invitation to be here. We stand

ready to answer any questions you might have on the MRP mission area.

[The prepared statement of Mr. Avalos follows:]

PREPARED STATEMENT OF HON. EDWARD M. AVALOS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and distinguished Members of this Committee, I am pleased to appear before you to discuss the activities of the U.S. Department of Agriculture (USDA) Marketing and Regulatory Programs (MRP) mission area, including the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

With me today are: Mr. Kevin Shea, Administrator of APHIS; Ms. Anne Alonzo, Administrator of AMS; and Mr. Larry Mitchell, Administrator of GIPSA. They will answer questions regarding specific agency activities.

Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. MRP programs have contributed significantly to the success as well as the development of domestic markets in a variety of ways. For example, both AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. AMS also facilitates marketing by reporting essential market data, upholding strong organic standards, and supporting the ongoing growth of local and regional food systems. GIPSA works to help ensure that livestock producers have a fair and competitive market environment. APHIS also protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products, thus supporting American families.

As you can see, each of our agencies has unique responsibilities, and today my colleagues and I are here to and discuss the important work our agencies are engaged in and how the agencies contribute to the success of American agriculture.

#### **APHIS**

APHIS' primary mission is to safeguard the health and value of U.S. agricultural and other plant and animal resources. The Agency's programs protect U.S. livestock, poultry, and specialty crops worth more than \$191 billion (based on data from the 2012 Census of Agriculture), as well as the well-being of animals covered under the Animal Welfare Act. APHIS employees come to work, every day, across the country and around the world, to serve a diverse array of customers and stakeholders and respond to challenges and threats, such as Avian Influenza, as they arise. These customers include ranchers, farmers, poultry producers, citrus producers, licensed animal dealers, importers and exporters, and many others. While APHIS is engaged in this crucial work, the Agency is also doing more with less. APHIS has lost more than \$400 million in appropriations over the last 4 years. This means there are 225 fewer staff for APHIS' veterinary services program from 2009 levels at a time when it is facing the continuing threat of HPAI.

Several core beliefs form the foundation of this mission. First, healthy and profitable agriculture is good for America; it provides food and clothing for countless people worldwide and is a key pillar to a thriving economy. Second, as a Federal agency, APHIS' role is to take actions that no one state or individual entity has the capacity to take on their own. And third, APHIS has a special role to carry out in caring for vulnerable animals.

#### *Biotechnology*

One area where APHIS has made significant strides is with its biotechnology petition review process. In recent years, this process was taking more than 3 years for review and preparation of evaluations necessary to make regulatory decisions. Such delays added to a growing backlog of petitions. To address this situation, APHIS undertook a business process improvement review, has developed a process that when fully implemented will take 13 to 15 months for the review of petitions that do not require an environmental impact statement (EIS). The Agency is now nearly through the entire list of backlogged petitions and has reduced petition review times to an average of 18 months without compromising the quality of the analyses. The Agency expects to fully meet the new timeframes for new petitions received in FY 2015. For petitions that do require an environmental impact statement, additional

resources are being devoted to these intensive analyses so they can be completed in a timely manner.

#### *HPAI*

USDA and APHIS have been confronting the largest animal health emergency in this country's history. APHIS is dealing with an unprecedented outbreak of highly pathogenic avian influenza (HPAI) that is taking a heavy toll on the poultry industry. People have lost their jobs and have seen their livelihoods put in grave danger by this outbreak, and our hearts go out to them. I can assure you, however, that this disease has USDA's fullest attention, and we are committed to standing with our producers, the poultry industry, and the communities they live in and support, to get them back on their feet.

USDA has been and will be there every step of the way with producers, industry, and our state partners. APHIS has worked closely with them to respond quickly and decisively to this outbreak. More than 400 USDA staff and nearly 3,000 USDA-contracted personnel have been working around the clock in every affected state on the response. We've delivered over \$190 million in indemnification payments to producers to control the spread of disease, and to help them recover from it. Should the need arise, we have the authority to request even further funding. All told, USDA has received around \$1 billion in Commodity Credit Corporation (CCC) funding to address this outbreak. We've seen trade cut off by trading partners concerned about the devastating effects of this disease, causing over \$1 billion in poultry products to be directed to other markets at a cost to producers. We understand the devastating impact this outbreak has had upon all, and we are committed to helping those affected. And we will help protect those producers who have not yet been—and we certainly hope, will not be—impacted by this disease.

Despite the difficulties we've faced, we've had some good news. APHIS has not had a single detection of the disease since June 17, and of the 211 commercial premises affected, cleaning and disinfection has been completed on 178, and 133 are eligible to restock. The restocking guidelines that the Agency and the states have put in place provide assurance that the premises and the local environment are free from the disease, and that enhanced biosecurity measures are in place to reduce the threat of re-contamination.

APHIS HPAI emergency response activities in the spring were largely based on existing emergency response plans the Agency and its partners developed prior to the outbreak. As the Agency began planning for the fall, it spent a lot of time meeting with states and industry to determine what worked and what needed to be improved so that the response for any potential fall outbreaks could be improved.

In addition to weekly planning and information-sharing calls with state and industry partners through the spring and summer, USDA participated in several conferences and workshops to discuss these issues and plan for the fall. Two important workshops were held in Riverdale, Maryland and Des Moines, Iowa. Industry and Animal Health officials discussed worst case scenarios, and preparation efforts going into the fall season.

Based upon those conversations and the lessons APHIS identified, the Agency prepared and presented to the Secretary a comprehensive and updated emergency response plan for the fall outbreak. The plan outlines steps the Agency and its partners will take, including enhancing biosecurity, increasing surveillance efforts, and improving efforts to identify and deploy personnel.

Other actions that APHIS has identified or implemented as a result of our fall planning:

- Conducted a nationwide review of emergency resources to identify state and local resources that could contribute to a response and reduce response time.
- Emphasized the need for stronger biosecurity and worked with states and industry to prepare additional materials to educate producers.
- Prepared to deploy vaccines, including issuing a request for proposals to stockpile vaccines and holding discussions with trading partners about how USDA would use them.
- Increased wild bird surveillance with Federal and state partners to more quickly identify where the virus may strike.
- Initiated the hiring process to bring additional veterinarians and employees to USDA on a term basis to assist with any potential outbreak.
- Worked with state partners to identify disposal options in each state, such as landfills, to allow for more rapid depopulation and disposal of sick birds.

- Set a goal to more rapidly depopulate sick birds, within 24 hours if possible, which will reduce the amount of virus in the environment and help reduce potential lateral spread.
- Started work on developing a new virus elimination process to more rapidly and cost-efficiently provide funding to producers to remove the virus from their barns.

APHIS has encouraged states to update their response plans, and has worked with them to identify depopulation and disposal options available in their states. APHIS has also begun an inventory of necessary depopulation and disposal equipment and will work to stage equipment in strategic areas.

#### *Feral Swine*

In FY 2014, APHIS requested and received funding from Congress to initiate the National Feral Swine Damage Management program. These animals cause damage estimated at \$1.5 billion annually and pose risks to agriculture, natural resources, property, animal health, and human health and safety. APHIS is working to remove animals in the 41 states, and with our partners, has established state-level management control plans that outline our management goals and objectives for each state. Depending on local conditions, these range from total elimination of feral swine populations to the management of individual populations.

#### *Plant Protection Issues*

We also appreciate Congress' support of the Huanglongbing (HLB) Multi-Agency Coordination group (MAC). The MAC is working diligently with the citrus industry to find near-term practical tools and solutions for the industry to use in combating HLB. It has brought unprecedented coordination and cooperation across Federal and state agencies and industry in an effort to speed progress on methods to fight this disease. With support from Congress, the HLB MAC has been able to approve \$20 million in HLB-related projects to put practical tools to work in the field now while longer term solutions are developed. Some of the tools being developed include delivering thermal therapy to citrus trees (to kill the bacteria that causes HLB) on a grove-size scale, increasing production of biological control agents to manage Asian citrus psyllid populations (which spreads HLB), and training detector dogs to find trees newly infected with HLB, among other exciting projects. In addition, in FY 2015, with Congress' support, APHIS was able to commit more than \$48.5 million to Citrus Health Response Program activities with an emphasis on HLB and Asian citrus psyllid.

APHIS also has made significant progress in addressing a variety of plant pests, including our very successful work with the State of California and industry to keep the European grapevine moth (EGVM) from establishing a foothold. APHIS detected more than 100,000 of these moths in FY 2009, the first year of the program. Last year, on track with expectations, APHIS found a single moth. It meant the Agency could free all of Solano County and portions of Sonoma and Napa counties from Federal quarantine in time for the fall grape harvest. Although we can't claim just yet that we've completely eradicated this pest, this progress is a tremendous win for all of us.

I am also very proud of the work APHIS has done toward eradicating boll weevil from the United States. More than 30 years ago, you could find boll weevils in every cotton-producing state from Virginia to Texas. Through cooperative work with state partners, the cotton industry, and counterparts in Mexico, we have eradicated boll weevils from 99.5 percent of the 16 million acres of the U.S. cotton crop. In Fiscal Year 2014, the number of boll weevils captured decreased in the Lower Rio Grande Valley by more than 32 percent. This effort helped growers in the Valley have the option to plant 55,000 more acres of cotton than they did the previous year.

APHIS has also used the funding provided by the Agricultural Act of 2014 (2014 Farm Bill) to continue to enhance plant health through two important programs, Plant Pest and Disease Management and Disaster Prevention and the National Clean Plant Network (NCPN). Since 2009, APHIS has funded more than 1,800 projects in 50 states and two U.S. territories, strengthening the Agency's abilities to protect U.S. agriculture and natural resources from foreign pest threats. In support of the NCPN, which provides reliable sources of pathogen-free planting stock of high-value specialty crops, APHIS and cooperators have also provided funding and other support to 20 clean plant centers and associated programs in 16 states representing five specialty crops including fruit trees, grapes, citrus, berries, and hops.

### *Exports*

The ability to export is key to the growth, profitability, and continued success of U.S. farmers and ranchers and related agricultural businesses. For some crops, 50 percent or more of our production is exported, including 80 percent of U.S. cotton, 70 percent of tree nuts, and 50 percent of wheat and rice. Agricultural exports surpassed \$152 billion in FY 2014, and have climbed more than 58 percent in value since 2009, totaling \$771.7 billion over the past 5 years. They have increased in volume as well as monetary value, demonstrating world-wide demand for high-quality U.S. grown products.

APHIS plays a significant role in continuing to help U.S. farmers and ranchers access new markets. Last year, APHIS, in cooperation with other agencies, successfully negotiated and resolved a total of 170 sanitary and phytosanitary (SPS) trade-related issues involving U.S. agricultural exports, with an estimated market value of \$2.5 billion. This includes continuing efforts to eliminate all remaining bovine spongiform encephalopathy (BSE)-related restrictions on U.S. cattle and beef. In FY 2014, APHIS achieved success with several countries agreeing to remove all BSE restrictions and grant access to U.S. beef and beef products. These include major markets such as Mexico and Hong Kong, among others. APHIS also successfully intervened in 273 situations where U.S. cargo was held up at foreign ports-of-entry, which prevented the rejection of shipments worth more than \$49 million.

### *Animal Welfare*

APHIS' Animal Welfare program carries out activities designed to ensure the humane care and treatment of animals covered under the Animal Welfare Act (AWA) through inspections, enforcement, and education. The program ensures that proper care is provided for certain animals that are: exhibited to the public; bred for commercial sale; used in medical research; or transported commercially. Facilities using regulated animals for regulated purposes must provide their animals with adequate housing, sanitation, nutrition, water and veterinary care, and they must protect their animals from extreme weather and temperatures.

### **AMS**

The mission of AMS is to facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops. AMS administers programs that create domestic and international marketing opportunities for U.S. producers. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946, as well as over 50 other statutes. More than ½ of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and state-Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies.

AMS employees work every day to support the country's diverse agricultural operations. The Agency's workforce includes marketing specialists, commodity graders, economists, market news reporters, scientists, and analysts who support the marketing of American agricultural products and work in industry-specific processing plants, terminal and shipping point markets, production facilities, and office environments. AMS provides services and awards millions of dollars in annual grant investments that create opportunities by supporting economic development in small towns and rural communities across America.

Much of the agency's support for agriculture is provided through commodity-specific efforts, such as its Dairy; Fruit and Vegetable; Livestock, Poultry and Seed; and Cotton and Tobacco Programs. AMS also oversees the National Organic Program; Science and Technology Program; and the Transportation and Marketing Program. Further, AMS provides oversight for over 20 research and promotion programs, also known as checkoffs, which are responsible for well-known advertising campaigns such as "Got Milk" and "Beef: It's what's for dinner." In addition, AMS enforces other Federal regulations such as the Perishable Agricultural Commodities Act (PACA) and the Federal Seed Act.

I would like to provide the Committee with a few examples of how AMS activities touch and benefit U.S. agricultural producers and consumers. One of our most widely used programs is *Market News*. This year marks 100 years of AMS' *Market News* which provides agricultural stakeholders with the information they need to evaluate market conditions and trends, make purchasing decisions, and assess movement of products across the nation and the globe. Every year, AMS issues more than 250,000 reports that get more than 53 million views. Agricultural stakeholders

around the country rely on USDA *Market News* as a trusted source for timely, reliable, unbiased data.

*Market News* is constantly evaluating the evolving needs of the agriculture industry to better serve our stakeholders. For example, AMS is increasing reporting on organic commodities and on locally and regionally marketed products in response to market demand. The Agency recently released an innovative, enhanced version of the *Market News* Portal with simplified navigation, giving users easier access to the wealth of timely and reliable data.

Another key AMS activity is purchasing non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of nutrition assistance program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools or to other domestic nutrition assistance programs. In 2014, AMS' Commodity Purchase Program purchased a total of over \$1.5 billion worth of food from our nation's producers. These purchases support producers in rural America, while helping meet government nutrition goals.

AMS grant programs also play an important role in facilitating marketing. The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to states to assist in exploring new market opportunities for U.S. food and agricultural products, both locally and internationally. Recent FSMIP projects have supported efforts to bolster local and regional food systems through farmers' markets and community supported agriculture operations, while other projects have focused on building international markets for pine lumber, pork, and more.

With the Specialty Crop Block Grant Program, AMS helps states strengthen markets for their specialty crops, such as fruits, vegetables, tree nuts, horticulture and nursery crops. In FY 2014, all 50 states, the District of Columbia, and four U.S. Territories were awarded Specialty Crop Block Grants that funded a total of 839 projects, totaling approximately \$66 million. AMS expects to award approximately \$63 million in FY 2015. These grants address issues ranging from food safety to research needs to increased access to fruits and vegetables, all benefiting specialty crop producers and consumers across the country. With additional funding from the 2014 Farm Bill, we are able to do even more to help specialty crop growers increase profitability and sustainability.

Farmers Market and Local Food Promotion Program grants are available annually to support local and regional food systems through two competitive programs: the Farmers Market Promotion Program (FMPP) and the Local Food Promotion Program (LFPP). FMPP grants fund farmer-to-consumer direct marketing projects such as farmers' markets, community-supported agriculture programs, roadside stands, and agritourism. LFPP grants fund local and regional food business enterprises that serve as intermediaries to process, distribute, aggregate, and store locally or regionally produced food products. Projects also provide technical assistance and outreach, including planning grants for local food businesses. For Fiscal Year 2015, AMS expects to award over \$27 million in competitive grants to expand marketing through these two programs.

AMS, along with other USDA agencies, is helping producers tap into growing consumer demand for locally-grown food. According an Economic Research Service report, the value of local food sales, defined as the sale of food for human consumption through both direct-to-consumer (*e.g.*, farmers' markets) and intermediated marketing channels (*e.g.*, sales to institutions or regional distributors), topped \$6 billion in 2012. Secretary Vilsack has identified strengthening local and regional food systems as one of the four pillars of USDA's work to help revitalize the rural economy and create jobs. Recently, AMS launched a new set of Local Food Directories to help consumers find Community Supported Agriculture enterprises, food hubs, and on-farm stores, making it easier for consumers to find local food. AMS research and technical assistance contribute to our efforts to provide farmers and ranchers around the country with tools to reach consumers, strengthen ties between urban and rural communities, and help meet the growing demand for locally and regionally produced food.

As demand for certified organic food products continues to grow, AMS plays a key role in setting and enforcing meaningful standards. In 2014, AMS partnered with 13 organizations to develop tools that will identify and remove barriers to certification and streamline the certification process. The projects will be completed by September 2015. Tools, resources, and technical assistance—including educational materials, training videos, and more—will be widely available to help farmers and businesses that are new to organic production. The 2014 Farm Bill added additional resources to support organic certification, research, and market development. AMS quickly made organic certification cost-share funds available to help producers pay



for the cost of certification, and we have already published a proposed rule to expand the organic exemption for producers paying into commodity checkoff programs.

Within five of the twelve titles of the 2014 Farm Bill, there were nearly 30 provisions related to AMS. The agency has made great strides toward implementation including the timely awarding of grants, providing several reports to Congress, establishing the Unprocessed Fruit and Vegetable Pilot in eight states, and moving to a hearing on a proposed California Federal Milk Marketing Order.

#### **GIPSA**

The core mission of GIPSA is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA plays an integral role in ensuring the economic viability of America's farmers and livestock producers, and in turn, of rural America. GIPSA administers two programs that are very important to American agriculture: the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS).

##### *Packers and Stockyards Program*

Under the Packers and Stockyards Act (P&S Act), GIPSA's P&SP regulates businesses that market livestock, poultry, and meat. Congress passed the P&S Act in 1921 to address serious concerns of unfair and deceptive practices in the meatpacking industry. Over the years, Congress has amended and supplemented the P&S Act to keep the Act relevant to the changing livestock, poultry and meat industries. For instance, in 1976, Congress added authority for the Secretary to assess civil penalties for violations. In 1987, Congress added financial protection for poultry producers, and as recently as 2008, Congress added the right of producers growing poultry or swine under contract to decline arbitration clauses in the contracts and established the forum for resolving disputes.

Today, the P&S Act promotes fair and competitive marketing in livestock, poultry, and wholesale meat for the benefit of American agriculture and consumers. By fostering fair competition, the P&SP helps assure that meat and meat products are available to consumers at fair prices. Fair competition, payment protection, and prohibitions against deceptive and fraudulent trade practices in livestock markets assure producers that they will receive competitive prices and timely payment for livestock.

The P&S Act provides specific protections for poultry growers and swine production contract growers including the right to cancel production contracts, the right to be informed of the possibility of additional capital investments, the right to resolve contract disputes in the Federal judicial district in which the principle part of the performance takes place under the contract, and the right to decline to be bound by the arbitration provision in a contract.

The P&S Program investigative work is handled by three regional offices located in Atlanta, Georgia, Des Moines, Iowa, and Aurora, Colorado. The regional offices include a staff of auditors, marketing specialists, resident agents, economists, investigating attorneys, and legal specialists some of whom are assigned to the regional office and others whose duty stations are their personal residences. These employees conduct investigations and regulatory activities such as business audits, weighing verifications, and day-to-day industry monitoring. The P&SP Washington, D.C. staff provides litigation support through investigation review, sanction recommendation, hearing preparation, settlement negotiations, and testimony at hearings. The headquarters staff also processes and summarizes industry data and develops policy and information materials and drafts notices and regulations under the P&S Act.

By protecting fair-trade practices, financial integrity, and competitive markets, GIPSA promotes marketplace fairness for livestock producers, buyers, sellers, swine contract growers, and poultry growers for the benefit of all market participants and American consumers.

GIPSA maintains a toll-free hotline (800-998-3447) to receive complaints and other communications from livestock producers, poultry growers, and other members of the industry or general public. The hotline allows callers to voice their concerns or file a complaint anonymously. GIPSA responds to all calls received. In 2014, GIPSA initiated 86 investigations or reviews of livestock market operations in response to complaints. Although this was less than four percent of all investigations and reviews of market agencies that year, complaints from injured parties or the general public are important sources of information about fairness and financial integrity in the livestock sector.

##### *Federal Grain Inspection Service*

FGIS facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing official U.S. grading standards, as well as methods to assess

product quality; maintaining the integrity of the marketing system by enforcing the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA); and administration and oversight of America's national grain inspection system, a network of third-party Federal, state, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the USGSA and the AMA. Grain standards established under the USGSA and AMA and maintained by FGIS are used to facilitate the marketing of approximately 301 million metric tons of grain, rice, and pulses for export around the world by the way of ships, trucks, rail, and containers worth approximately \$50 billion. In 2014, there were more than 3.3 million inspections. This amounted to approximately one out of every four rows of corn raised in the U.S., one out of every two rows of soybeans and two out of every five truckloads of wheat.

FGIS is recognized worldwide as the gold standard for grain inspection. From October 1, 2014, to July 31, 2015, FGIS grain inspection accuracy was 96.5% based on a review of 3,782 samples covering a total of 7,144 factors. FGIS resolves grain quality and weight discrepancies, by promoting domestic grain and commodity standards and marketing infrastructures in other countries. FGIS also assists importers in developing quality specifications and complements international trade by training foreign inspectors in U.S. inspection methods and procedures.

During 2014, GIPSA personnel met with 49 teams from 32 nations. This year FGIS inspectors traveled to China to certify grain shipments, as well as Columbia and Algeria to conduct workshops on U.S. inspection methods for corn, soybean, and wheat. These activities foster a better understanding of the entire U.S. grain marketing system and enhance purchasers' confidence in U.S. grain. Ultimately, these efforts are instrumental in moving our nation's harvest to end-users around the globe.

### **Conclusion**

In closing, MRP supports the Department of Agriculture's key role in growing the rural economy and supporting producers and consumers across the nation. As Federal agencies tasked with regulating and facilitating the agricultural industry, MRP agencies must perform this work at the speed of commerce. To do this, AMS, APHIS, and GIPSA must have strong relationships and partnerships with state agencies, industry groups, universities, and other Federal agencies, among others. Further, we are constantly seeking new opportunities to leverage the capabilities of other USDA mission areas to meet the needs of producers and consumers.

In addition, I would like to take this opportunity to thank Chairman Conaway, Ranking Member Peterson, and the Members of this Committee and their staff for their leadership in the efforts to reauthorize the U.S. Grain Standards Act and the Mandatory Price Reporting Act. We are grateful for the Committee's efforts and look forward to the completion of this important work before September 30, 2015.

Mr. Chairman and Members of this Committee, this concludes my statement. Thank you for the opportunity today and I look forward to continuing to work with you. At this time, my colleagues and I will be glad to answer any questions you may have regarding the MRP mission area.

The CHAIRMAN. Mr. Almanza, 5 minutes.

### **STATEMENT OF ALFRED V. ALMANZA, DEPUTY UNDER SECRETARY, FOOD SAFETY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.\***

Mr. ALMANZA. Thank you. Mr. Chairman, Ranking Member Peterson, and Members of the Committee, I am the Deputy Under Secretary for Food Safety at the United States Department of Agriculture, and I would like to thank you for the opportunity to come before you here today to discuss our food safety mission. To start, I would like to thank you, Chairman Conaway, for joining me on the plant tour this past year, and I would also like to extend the invitation to any of you to accompany me on a tour in the future. A plant tour is really the best way to see what our inspectors do on the line and what they are doing on a daily basis to protect the

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\* **Editor's note:** the Administrators listed as accompanying Mr. Avalos are also accompanying Mr. Almanza. To avoid duplication they are not printed here.

public's health. I look forward to continue working with Representatives Rouzer and Davis, as well as all Members of the Agriculture Committee.

Sometimes it is easy to forget that the meat on your plate has undergone a thorough process of inspection and testing to ensure that you don't get sick, but if you are one of the millions of Americans who consume meat, poultry, or processed egg products, your food is inspected every single day by the dedicated men and women of FSIS who are present in all these plants throughout the country.

Additionally, FSIS administers a labeling program to protect consumers from misbranded and economically adulterated meat, poultry, and processed egg products. We are modernizing the way we do things, and carcass-by-carcass inspection remains a cornerstone of our work. Our system of inspection is the most reliable in the world, and I take great pride in the inspection process after having begun my own career nearly 40 years ago as a line inspector in Dalhart, Texas.

Today, billions of pounds of meat, poultry, and liquid egg products are produced, transported and sold every year. A system of this magnitude requires constant vigilance to prevent the possibility of foodborne contamination. FSIS is legally required to have inspectors present across the country in every plant that processes meat, poultry, and processed egg products. The agency employs approximately 9,000 employees, and 80 percent of them work in establishments across the nation. FSIS cooperates with 27 states to develop and administer state meat and poultry inspection programs that implement food safety requirements that are at least equal to Federal requirements at over 1,600 small and very small establishments.

During Fiscal Year 2014, FSIS personnel inspected almost 150 billion head of livestock, nine billion poultry carcasses, and over 3 billion pounds of processed egg products. Last year, FSIS conducted nearly seven million food safety and defense procedures. Some highlights of our achievements this year include the implementation of our new poultry inspection system, which will prevent an estimated 5,000 illnesses each year. We also launched stronger performance measures to reduce pathogens like *Salmonella* and *Campylobacter* in poultry products, which could prevent an estimated 50,000 illnesses annually. In addition, we announced a best practices guidance for controlling *Listeria monocytogenes* in retail delis to help prevent cross contamination in deli counters.

We spend much of our time educating the millions of Americans who consume our products every single day. Over the past year, we have partnered with the Ad Council on public service announcements, conducted outreach to at-risk and under-served populations, and developed our own Smart Phone application, the FoodKeeper App, in conjunction with Cornell University and the Food Marketing Institute. As we move forward, our focus on modernization also has us looking at ways to modernize pork and beef slaughter.

Our focus on science will increase our use of whole-genome sequencing, sampling, and the use of new performance standards to address *Salmonella* in chicken parts and comminuted poultry. We are closely coordinating with other Federal agencies, like the Food and Drug Administration and the Centers for Disease Control to

discover sources of illnesses more quickly and to respond more effectively during recalls and outbreaks.

In Fiscal Year 2015, we developed harmonized attribution estimates for *Salmonella*, *E. coli* O157:H7, *Listeria monocytogenes*, and *Campylobacter* for major food categories.

Improved estimates of foodborne illness source attribution can inform efforts to prioritize food safety initiatives, interventions, and policies for reducing illness outbreaks. These types of collaborative efforts help FSIS work with our partner agencies to ensure that food safety is better informed, better targeted, and more effective. As a public health agency committed to achieving excellence, FSIS continuously tracks performance, modernizes methodology, and applies science-based approaches to the work that we do.

I began my career at FSIS as a line inspector, and I know firsthand the hard work that these dedicated men and women perform every day to ensure that we have the safest food supply in the world. It is because of this work that millions of Americans can sit down at their table and enjoy safe, wholesome meals every day.

Thank you for your support, and I hope you will soon join me in a plant tour to see what FSIS is doing to protect the American food supply. Thank you.

[The prepared statement of Mr. Almanza follows:]

PREPARED STATEMENT OF ALFRED V. ALMANZA, DEPUTY UNDER SECRETARY, FOOD SAFETY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

### **Introduction**

Mr. Chairman, Ranking Member Peterson, and Members of the Committee, my name is Al Almanza, Deputy Under Secretary for Food Safety at the U.S. Department of Agriculture (USDA). Thank you for the opportunity to come before you today to discuss the Food Safety and Inspection Service, our mission, and our people.

### **Who We Are**

FSIS is the public health agency in the U.S. Department of Agriculture (USDA) responsible for ensuring that the nation's commercial supply of meat, poultry, and processed egg products, whether domestic or imported, is safe, wholesome, and correctly labeled and packaged. FSIS inspection personnel inspect each and every livestock and poultry carcass before it can enter commerce, and Agency inspectors inspect every processing plant at least once per shift. No meat or poultry product can enter commerce unless we can find that it is not adulterated and apply our mark of inspection. In addition, FSIS approves the labels of meat, poultry, and egg products and ensures that they are truthful, not misleading, and contain the requisite information. We also take action should misbranded or economically adulterated products manage to enter commerce.

After publication in 1906 of Upton Sinclair's *The Jungle*, which described in detail the unsanitary working conditions in a Chicago meatpacking house, Congress passed legislation providing for the inspection of meat. Ultimately, this legislation became the Federal Meat Inspection Act (FMIA). Subsequently, Congress passed the Poultry Products Inspection Act (PPIA), the Humane Methods of Slaughter Act (HMSA), and the Egg Products Inspection Act, all of which the Food Safety and Inspection Service (FSIS) enforces.

### **What We Do**

As stated above, FSIS is mandated to have inspectors present in virtually every meat, poultry, and processed egg products plant in the country. To meet this obligation, as of September 30, 2014, the Agency employed 8,676 permanent full-time employees, including 625 in the Washington, D.C. area, and 8,051 in the field. These employees work in approximately 6,426 federally regulated establishments, three FSIS laboratories, 127 ports-of-entry, and 150,000 in-commerce facilities nationwide. During FY 2014, FSIS personnel inspected about 148 million head of livestock, nine billion poultry carcasses, and about 3.2 billion pounds of processed egg products. In

FY 2014, FSIS conducted 6.84 million food safety and defense procedures and condemned over 465 million pounds of poultry and more than 205,000 head of livestock during postmortem (post-slaughter) inspection.

### **Federal Inspection of Exports and Imports**

FSIS regulates all imported meat, poultry, and processed egg products intended for use as human food. Before FSIS-regulated products can enter the country, the Agency determines whether the food safety regulatory system of any country that wishes to export to the U.S. is equivalent to that of the U.S. Once FSIS finds a foreign country's system for meat, poultry, or egg products to be equivalent, FSIS inspects eligible products from that country at U.S. ports-of-entry.

The Agency evaluates an exporting country's food safety system on an ongoing basis. Each year, FSIS reviews any changes in the foreign country's food safety system. In addition, FSIS may conduct an in-country audit of the system and will review the country's performance in port-of-entry inspections. Based on these reviews, the Agency decides whether the country is maintaining equivalence, or whether additional action by FSIS is warranted. This performance-based approach allows FSIS to direct its resources to foreign food regulatory systems that potentially pose a risk to public health and makes its international program more consistent with its domestic inspection system. Finally, it improves the linkage between port-of-entry re-inspection and on-site audits.

### **State Inspection**

FSIS also assesses the safety of state-inspected meat and poultry products through agreements with State Departments of Agriculture. FSIS works with 27 states to develop and administer state meat and poultry inspection (MPI) programs that implement food safety requirements that are "at least equal to" Federal requirements at more than 1,600 small and very small establishments. These establishments can only ship or sell products within their respective states. State MPI programs must ensure that livestock are treated humanely by imposing humane handling requirements that are "at least equal to" those FSIS has established under the Humane Methods of Slaughter Act of 1978.

In 2014, FSIS completed comprehensive reviews of the meat or poultry inspections programs of Kansas, Missouri, Minnesota, North Dakota, Wisconsin, and Wyoming. The Agency also obtained self-assessment reviews of the other 21 MPI programs.

FSIS also cooperates with four states—Ohio, North Dakota, Wisconsin, and Indiana—to operate a fairly new interstate shipment program, as provided for in the 2008 Farm Bill. This approach eliminates barriers and allows small state-inspected businesses to expand their customer base and explore new markets, by making these establishments eligible to ship meat and poultry products in interstate commerce.

### **Assistance to Small Plants**

With more than 90 percent of the 6,000 FSIS inspected plants considered small or very small operations, FSIS has a Small Plant Help Desk that serves to assist plant owners and operators with questions. Many of these questions involve technical expertise, information, and providing advice on FSIS regulations and policies. During FY 2014, the Small Plant Help Desk received and responded to 2,042 inquiries in person, over the phone, and via e-mail. In addition, FSIS publishes Compliance Guides that help small plants comply with new or modified FSIS regulations.

### **Strategic Planning for Accountability**

Every 5 years, FSIS adopts a new Strategic Plan that sets out the Agency's goals and initiatives. The FSIS Strategic Plan is the foundation for both the long range and day-to-day operations of the Agency.

A main driver of the Strategic Plan is the desire for the Agency to continue to be an ever more trusted and successful public health agency—an Agency that adapts to the changing nature of food safety risks. Outlined in the Agency's current strategic plan are three themes and eight goals within those themes. The themes are "Prevent Foodborne Illness," "Understand and Influence the Farm-to-Table Continuum," and "Empower People and Strengthen Infrastructure."

Each year, FSIS also develops an Annual Performance Plan that sets out three or four key results that each of the Agency's ten offices intends to accomplish to advance the Strategic Plan. At the end of each year, we publish a report that sets out how well we did in achieving key results.

We are now operating under our third Annual Performance Plan (APP) under the FY 2011–2016 Strategic Plan, and we have already begun drafting the Strategic Plan for FY 2017–2021. The APP provides the American public and FSIS employees with a clear list of Agency priorities and a detailed roadmap of the steps we intend

to take to achieve our goals. It provides an operational plan that we are following in order to steer the Agency as we work to prevent foodborne illness and protect public health. It is traceable and transparent, so that we can be accountable to the Congress and the American public.

A major theme of our current Strategic Plan is Cultural Transformation. Cultural Transformation is a commitment to work in collaboration with USDA on civil rights and equal employment opportunities (EEO), embrace a respectful and diverse workforce, and strive for a highly effective, collaborative work environment. FSIS fosters an inclusive workforce by recruiting and hiring skilled applicants that reflect America's diversity. FSIS eliminates barriers to equal employment and allows employees to advance based on merit.

Managers and supervisors lead by example to ensure that the work environment is free from discrimination, hostility, intimidation, reprisal, and harassment.

In developing the 2017–2021 Plan, we are involving not only our headquarters leadership but employees in a range of positions across the Agency. In addition, we have consulted with external stakeholders so that we have broad input to guide our progress forward.

### **Modernization**

A key theme for FSIS is modernization. Inspection changed from a sight, smell, and touch approach to a more science-based method when FSIS implemented its Hazard Analysis and Critical Control Points (HACCP) regulations between January 1997 and January 2000. Our inspection is supported by sampling programs such as testing ready-to-eat meat and poultry products for *Listeria monocytogenes*, testing for *Salmonella* and *Campylobacter* in raw poultry, and testing for seven serogroups of pathogenic *E. coli* (including *E. coli* O157:H7) in non-intact raw beef, and by performance standards to assess how well plants are controlling these hazards.

FSIS also has recently adopted its New Poultry Inspection System regulations, which focuses the efforts of FSIS inspection personnel on food safety much more than has previously been the case. FSIS is also considering changes to how it does inspection in hog and cattle slaughter plants.

### **Consumer Outreach**

To keep the public safe, we spend much of our time conducting outreach and educational awareness efforts to the millions of Americans who consume our products every single day.

Just as FSIS is focusing on modernizing our inspection techniques, we also are modernizing the way we communicate with our consumers. We recently celebrated the 30 year anniversary of the USDA's Meat and Poultry Hotline, which enables consumers to ask questions or report incidents of foodborne illness. The Hotline receives more than 80,000 calls each year and helps prevent foodborne illness by answering questions about the safe storage, handling and preparation of meat, poultry, and processed egg products.

The Food Safety Education Staff (FSES) has had some great successes in consumer food safety outreach throughout FY 2015 thus far. Some of these initiatives include: partnering with the Ad Council, partnerships for reaching at-risk groups, Hispanic outreach, social media, and our new smartphone application, the Foodkeeper App.

### **FY 2014–2015 Accomplishments**

As I stated previously, FSIS's main goal is to protect the public health and reduce foodborne illness. Thus, it is a significant indication of our success that the All-Illness Measure that we have created, which combines the number of illnesses attributable to meat, poultry, or egg products caused by *Salmonella*, *E. coli* O157:H7, and *Listeria*, showed a reduction of about 41,000 estimated illnesses between FY 2013 and FY 2014, from 427,171 in FY 2013 to 386,265 in FY 2014. Further, in FY 2014, FSIS "met" or "exceeded" 81 percent of our annual performance measures.

Our successes have continued in FY 2015. Here are just a few of our accomplishments:

- Began the implementation of the New Poultry Inspection System after the release of the final rule;
- Asked for public comment on performance measures to reduce *Salmonella* and *Campylobacter* in chicken parts and comminuted poultry. These new standards could help prevent an estimated 50,000 illnesses annually;
- Issued a best practices guideline for retailers to help them to protect public health by decreasing the potential for *Listeria monocytogenes* contamination;

- Completed an economic analysis for expanding the testing for non-O157 STEC in ground beef and components other than trim;
- Continued to implement the Public Health Information System (PHIS) by increasing plant connectivity and enhancing information sharing capabilities, thus aligning our efforts to modernize food safety through technological enhancements;
- Strengthened humane handling in plants;
- Developed new in-plant activities, such as the new Food Safety Assessment (FSA) methodology;
- Issued a proposed rule on non-ambulatory disabled veal calves, which, if adopted, would require that veal calves that are unable to rise at the time of *ante-mortem* inspection be euthanized. Under the proposed rule, all non-ambulatory disabled veal calves that are brought to slaughter will be promptly and humanely euthanized, and prohibited from entering the food supply; and
- Finalized the proposed mechanically tenderized beef rule that makes it easier for consumers to understand what they are buying at supermarkets, and what steps they must take in the kitchen to keep their families safe.

### Looking Forward

As we move forward, our focus on modernization also has us looking at ways to modernize inspection, improve our web-based Public Health Inspection System (PHIS), improve our system for ensuring the safety of imports, and improve the traceability of products as they move to the consumer. As mandated by Congress, FSIS is responsible for the regulation of Siluriformes and Siluriformes products. As soon as the rule is final, we will begin taking steps to implement this inspection program. Our focus on science will increase our use of whole-genome sequencing, increased sampling, and the use of new performance standards to address *Salmonella* in chicken parts and comminuted poultry. We will be ensuring that plants properly validate their HACCP plans, and we intend to improve how our inspection personnel verify how sanitary dressing is done, to minimize the possibility that contamination will occur during the slaughter process. With regard to illness investigations, we are also coordinating closely with other Federal agencies, like the FDA and the CDC. Increased communication with our partner agencies makes FSIS more effective and improves our responses during recalls and outbreaks. In 2011, we created the Interagency Food Safety Analytics Collaboration (IFSAC), which brings together senior leaders and technical experts on food safety attribution from CDC, FDA, and FSIS to improve coordination of Federal food safety analytic efforts and address cross-cutting priorities for food safety data collection, analysis and use.

In FY 2015, one of IFSAC's major successes was developing harmonized attribution estimates for *Salmonella*, *E. coli* O157, *Listeria monocytogenes*, and *Campylobacter* for major food categories and hosting a public meeting, with over 200 people in attendance in-person and online, to share those findings.

These improved estimates of foodborne illness source attribution can inform efforts to prioritize food safety initiatives, interventions, and policies for reducing foodborne illnesses. These types of collaborative efforts help FSIS work with our partner agencies to ensure that food safety is better informed, better targeted, and more effective.

### Conclusion

These are some of the ways we are holding ourselves accountable for achieving positive results and outcomes on critical food safety issues. We continuously track performance, modernize, and apply science in developing our approach to the problems we face.

I began my career at FSIS as a line inspector. I know first-hand the hard work that the dedicated men and women who make up FSIS's inspection force perform every day to ensure that we have the safest food supply in the world. It is because of this work that millions of Americans can sit down at the table and enjoy safe, wholesome meals each day. Thank you for your support for our vital work as a public health agency.

The CHAIRMAN. Thank you, gentlemen. I appreciate both of your testimonies. Mr. Avalos, I was privileged to see your feral swine program at work in central Texas. We had a great example of the state agency and your agency working together to provide that service. And we had landowners who were the beneficiaries of having the feral swine taken care of. Obviously, you have some land-

owners in central Texas who provide hunting opportunities, but you also have other landowners that the feral swine is a nuisance and a pest and a predator, so I appreciate the good work that you are doing there. Mr. Almanza, thank you also for your tour at the packing plant in San Angelo, and the work that went in that day to get you down there and have you join me with the good work there. You let me actually see your inspectors doing their job. I don't think you had set up the carcasses to go through at the appropriate place so there wouldn't be anything wrong; but your guys looked like they were taking care of business.

Recently, we had a *Consumer Reports* article out that ground beef contains harmful bacteria, and that 18 percent contains bacteria resistant to more than three classes of antibiotics. The report claimed that the numbers are far less if they are from a sustainable beef, whatever that means. Could you give me your take on that consumer report and what it means to consumers?

Mr. ALMANZA. Yes, sir. The recent *Consumer Reports* study was what I would say an unfortunate article that serves to scare consumers. The most deadly pathogens that FSIS routinely tests for were not found in the report sampling. Rather, the study focused on generic bacteria. The *Consumer Reports* article confirmed that there were no *Shiga* toxin producing *E. coli* STECs present in the ground beef samples; and so these STEC strains have been declared adulterants by FSIS because they can cause severe illness. So we believe that the article overlooks many requirements and achievements that FSIS and USDA inspection and testing programs for meat products right now.

The CHAIRMAN. I appreciate that. Mr. Avalos, you mentioned significant budget cuts to your team. Can you help the Committee understand what the impact has been on your ability to do what you are doing?

Mr. AVALOS. Mr. Chairman, most of the cuts that were made to my mission area were at APHIS. And what we did was to look for ways to do as much work, in many cases, more work, with less money; and we looked for efficiencies, and Administrator Shea and his team did a really good job in finding ways to be more efficient and do the same job, in many cases more work with less money.

So I am going to ask Administrator Kevin Shea to expand on my response.

Mr. SHEA. Thank you, Mr. Under Secretary. We did several things. As Mr. Avalos said, first, we looked for efficiencies. Second, we looked for programs that were no longer as effective or we could not be as effective at as we would like to be. For example, we were spending a lot of money on the Emerald Ash Borer, a significant forest pest, but we simply lacked the tools to have great success against it; so we reduced spending in that kind of program.

The most damaging thing was we did have to leave over 800 positions unfilled, so we lost over ten percent of our workforce; and that does mean that it is more difficult for us to respond quickly when we have a new pest or disease outbreak. It means it is more difficult for us to have full surveillance around the country so we can find these outbreaks faster, and simply, more difficult to carry out all of our activities.



But as Mr. Avalos said, people pitched in, did more, and the people who were left behind continue to work hard.

The CHAIRMAN. Thank you for that. The first couple things you did, about finding efficiencies and looking for programs that may have outlived their usefulness, I wouldn't call those damaging. I would say those are appropriate for every organization to go through. But helping policymakers understand the other side of that where you are having shortfalls that might affect health and safety would be helpful. So I appreciate your work.

Mr. Peterson, for 4 minutes.

Mr. PETERSON. Thank you, Mr. Chairman, and I thank the panel for being here. I have been to the plants and seen your people in action. You are right. They do a great job. I want to focus in the little bit of time I have on this avian influenza which hit my district more than anyplace in the U.S. First of all, I might say APHIS, by and large, did a pretty good job given what we were dealing with, but there were problems, and I am sure you know that, in the process.

So now, one of the things I am hearing from my egg layers is that you have been responsive to some of these requests on the changes in the indemnification formula, but there are still some unanswered questions about what goes into the formula. I just met with some of them yesterday. Is USDA going to release that formula so that everyone is on the same page about what it covers and what it doesn't? Is that going to be released so we can see it? Mr. Shea?

Mr. SHEA. Absolutely, Mr. Peterson. We will be happy to post on our website and release anything that has to do with any of the formulas—

Mr. PETERSON. That hasn't been done yet, or haven't you finalized it?

Mr. SHEA. Well, I would say this: We do adjust the indemnity formula as market conditions change, because the indemnity intends to pay fair market value. Fair market value can change, but the basic formula remains pretty much the same. And to the extent that is not well known, we will make it better.

Mr. PETERSON. Yes. And then the part of it that has to do with paying for the depopulation and cleaning and all of that stuff, there are some issues with that. And it seems like that is kind of a moving target. Has that been finalized, or is that still a work in progress?

Mr. SHEA. That is still somewhat a work in progress. We appreciate what people are saying. What we want to do is move toward a standard formula for compensation for cleaning and disinfection.

Mr. PETERSON. What I am hearing is there a lot of bureaucracy as there was in this current situation, people wanting to go to some sort of simplified method, where it is maybe so much a square foot, so much a bird or something and then to have people being able to compete for that business, and maybe letting the people themselves do the work as opposed to bringing in all these contractors, which might have spread the disease. Are you working on that?

Mr. SHEA. Absolutely. We think that is a great idea, and we want to move toward that kind of formula. Indeed, in many cases, the owners themselves are in the best shape to do the work, and,

additionally, it helps keeps their workers employed, who otherwise may not continue being employed, and also local folks.

Mr. PETERSON. Where are you in that process? Are you anyplace to be able to come out and start talking about that or putting out information on how you are going to do this?

Mr. SHEA. We are not quite there yet because we want to make sure that we have tabulated what all the costs were so far this year, so we can get this formula correct. As I mentioned earlier, there are kind of two different formulas here, one for indemnity for the birds themselves and then one for this work. And this is the work that we still need a little bit more information to complete, but it is coming very, very soon.

Mr. PETERSON. We are going to probably ask you to come up and talk to us about some questions that have been raised there. One last thing. On the depopulation, I appreciate your goal of 24 hours. I think the sooner you can depopulate, the sooner you stop the virus. As soon as the birds are dead, as I understood it the virus does not continue. I think in turkeys it is one thing, but when you get into these layer operations, I don't know how in the world you are going to kill or depopulate those in 24 hours, unless you shut off the ventilation, which has not been supported, and I guess the AVMA doesn't support it. So where is that whole process at?

Mr. SHEA. If, indeed, we see another large outbreak like we did, and, of course, we hope we don't, but if we do, we are going to have to look at all the tools available and make those decisions at the time. But everything needs to be on the table, but we still need to look through all the possibilities.

Mr. PETERSON. So you haven't made any—everything will be open then as you go forward?

Mr. SHEA. I think we will be reaching very final decisions very, very shortly. Literally in a matter of days as opposed to weeks, we hope to have the final touches on our fall planning that will address all the various depopulation options.

Mr. PETERSON. Thank you, and, again, thanks to the USDA. You guys have really stepped up to the plate, and our people appreciate it.

The CHAIRMAN. The gentleman's time has expired. I recognize Mr. Neugebauer, for 4 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. Mr. Shea, last fall, 27 Members of the Texas Congressional Delegation wrote to GAO expressing concern about the transparency of APHIS' site reviews in their decision to allow fresh meat from the regions of north Argentina and Brazil with historical risk for foot-and-mouth disease that had been recognized. Specifically, we asked the GAO to open a review of the methodology and the management controls used when APHIS conducted their site visits to determine animal health information. And thankfully, the GAO agreed to do that. I wondered if you could kind of give us an update on the progress that has been made in the GAO review?

Mr. SHEA. Mr. Congressman, I am not aware that the GAO has directly contacted us yet to start the specifics of the review, but we are certainly very prepared and happy to cooperate with them as soon as they do.

Mr. NEUGEBAUER. Can you kind of walk us through the process of why this review is in question, because a lot of people were concerned about where we had a presence of foot-and-mouth disease in that region, that the decision was made to allow us to import that.

Mr. SHEA. I understand why there is a lot of concern. Foot-and-mouth disease, of course, is probably the biggest concern for livestock industry in the United States; and, indeed, there have been cases of foot-and-mouth disease in Brazil and Argentina in the past, but there haven't been any since 2006, and we did several site visits. We reviewed all the literature. We looked at their veterinary infrastructure, and proposed a rule that would be just like the one we have applied to Uruguay, which would require that there be inspection before and after slaughter, that the animals be deboned, and that the lymph nodes be removed, and that the pH level is moved to a level where foot-and-mouth disease can't exist.

These are the same kind of mitigations that the European Union uses, the same ones that OIE uses, and they have not found any movement of foot-and-mouth disease from countries where they apply these mitigations.

But all that said, I understand the concerns because foot-and-mouth disease is, indeed, our number one livestock concern, so I can understand why people wanted to know more about it, and, again, we certainly welcome GAO to look at it.

Mr. NEUGEBAUER. So you have not been contacted by GAO about beginning this process?

Mr. SHEA. I am not aware that we have been, no.

Mr. NEUGEBAUER. Can you double check with your folks and get back to us on that?

Mr. SHEA. I will be very happy to do that.

Mr. NEUGEBAUER [presiding.] I will yield back my time and now recognize the gentleman from Virginia, Mr. Goodlatte, for 4 minutes.

Mr. GOODLATTE. Thank you, Mr. Chairman, and I want to welcome this panel as well. Under Secretary Avalos, as USDA marketing orders fall under your authority, I am sure you are aware how very different our dairy and specialty crop markets are today than they were in 1937 when the Agricultural Marketing Agreement Act was passed. As evidenced by the recent *Horne* case in which the Supreme Court ruled against USDA and aspects of the Raisin Marketing Order, farmers are increasingly doubtful about the utility of these antiquated programs.

I am sure that marketing orders will gain even more scrutiny now that the USDA is in the midst of considering California's bid for a Federal Milk Marketing Order. Therefore, considering that the California dairy industry represents 20 percent of all U.S. milk production, it is obvious that California's entry into the Federal system will deeply impact dairy markets nationwide. Can you give us a summary of the impact of such an Order on the rest of the country, and have you taken steps to analyze the impact of everyday consumers?

Mr. AVALOS. Congressman, I am very much aware of the proposal, the request for marketing order from California. There is another marketing order that we are working on at this time, that

is a U.S. Pecan Marketing Order. We received a proposal last month. So anyway, marketing orders are still ongoing, two marketing orders in progress right now to create a marketing order. As far as implications from the *Horne* case, I am going to ask our Administrator Alonzo to answer your question.

Ms. ALONZO. Good morning, Mr. Congressman. Yes, in June, the U.S. Supreme Court decided against USDA in the *Horne* case, regarding personal property, taking without just compensation. But we believe that the Supreme Court's decision in *Horne* addresses a very narrow situation where under the Raisin Marketing Order, the government, through an administrative committee, takes title to a crop held in reserve and may physically appropriate that crop. The decision, we believe, does not address other types of volume controls or reserve programs. There is no other administrative committee currently, physically appropriating or taking title to the agricultural product, so we believe that this is a very narrow reading, and it is applicable to this case and not to other marketing orders.

Mr. GOODLATTE. And would one of you answer my question, which was, can you give us a summary of the impact that such an Order, meaning the California Dairy Marketing Order, will have on the rest of the country? And have you taken steps to analyze the impact on everyday consumers?

Ms. ALONZO. Yes. California—in fact, next week, well, the 2014 Farm Bill allowed California producers to request a Federal Milk Marketing Order. And next week, September 22, there is going to be a hearing in Clovis, California to consider the establishment of a California Federal Milk Marketing Order. The hearing is going to take a few weeks. We have received proposals, and we have economic analyses from some of those proposals; but the hearing that is expected to take several weeks is going to be very important and pertinent to our ability to go forward. And so we don't have a concrete analysis, but based upon—

Mr. GOODLATTE. Let me interrupt you because my time is expiring. Mr. Chairman, if I might ask one more question as follow-up. After the Supreme Court issued the *Horne* decision, the USDA amended general regulations for Federal fruit, vegetable, and specialty crop marketing agreements and marketing orders to accentuate that antitrust laws do apply to these marketing order programs. Could you explain why the Federal Milk Marketing Orders were not covered under this same final rule?

Ms. ALONZO. Can we get back to you on that because I don't quite think—

Mr. GOODLATTE. Pretty glaring if you change the marketing orders in several other areas, fruit, vegetable, specialty crops, but you don't change it from milk, there has to be a reason why milk was left out.

Ms. ALONZO. We haven't completed the California. We are just going to a hearing.

Mr. GOODLATTE. We are talking about something different than California now. We are talking about all Federal Milk Marketing Orders.

Ms. ALONZO. Can we respond to you on the record later on about that?

Mr. GOODLATTE. When will you be able to do that by?

Mr. AVALOS. We can do it today.

Mr. GOODLATTE. That would be fine.

Mr. NEUGEBAUER. I thank the gentleman. I want to apologize to the gentleman from Nebraska. I didn't see him sitting down there in that hole position, and I skipped over him, and I apologize. You are now recognized for 4 minutes.

Mr. ASHFORD. I am fairly low down here. Thank you, Mr. Vice Chairman. I just want to move a little bit away from where we are in the question and talk a little bit about what is important to us in Omaha, which is an urban area obviously. My district is urban, but we are in a very ag state. We had the conversation with Mr. Mitchell earlier, having been to Nebraska many times.

Administrator Alonzo, you were there as well, and I want you to know, personally, how much I appreciate your efforts on the panel, what a significant event that was. We talked about the Know Your Farmer, Know Your Food Initiative. It is very important to our city that our population be, first of all, exposed to products from the farm obviously, both because it is good for the young people to understand their state, but most importantly, on the nutrition side. Where do you see this initiative going, and obviously the demand and interest in Omaha, Nebraska is significant. Could you just generally describe how you see this happening, being rolled out? Where it is going?

Ms. ALONZO. Sure. And congratulations to you, Congressman Ashford, for your leadership in putting together that conference, which was probably the first of its kind. Many of our agencies at USDA participated, NRCS, the FSA, RD, and AMS; and so we thought it was so well attended and so well done and really underscoring just how important this sector is and how it is growing. According to industry estimates in 2014, local food sales topped \$11.7 billion. People, as you know, and this was discussed during the conference, want to know where their food is coming from. They want to know their farmers. They want to keep money in their local communities. They want to create jobs and access to healthy foods, and in the case of Omaha, how do you bridge the rural and urban communities?

And at the Department, and as we mentioned at the conference that day, Secretary Vilsack from the Department is very aware of this interest and its growing dynamic. We identified this area as one of the four pillars of the work that we are doing to revitalize the rural economy. You mentioned the Know Your Farmer, Know Your Food Initiative, and that is the coordinating tool that we use at the Department by which we all work at.

And in the past 6 years, in fact, under this initiative, we have invested more than \$800 million in more than 29,100 local businesses in the last 6 years as mentioned. I think where we are going is that we are trying to be even more responsive to the needs of the marketplace. We recently had the Farmers' Market Week, and throughout the nation, many states were celebrating Farmers' Market Week. We have about 8,500 farmers' markets now in the U.S., and it continues to grow. There is also other business models that are opening up, community-supported agriculture, food hubs, and so we are going to continue within our auspices to support this. My agency is part of the Know Your Farmer, Know Your Food group,

and what we do is primarily in the area of technical assistance. Last year, we fielded something like 2,000 calls and requests for help. We also, via the farm bill, were supported with many grants, several grants, one of them called the Farmers' Market and Local Food Promotion Program, of which I know many of Members here, their constituents have taken advantage of.

Also the specialty crop block grants also focusing a lot on local and regional foods, and these are block grants to the states that the State Departments of Agriculture work with. We just announced this week, or last week, a multi-state project across states, \$3 million; and these are competitive grants, the State Departments of Agriculture to work on a lot of these issues in terms of local.

We are also doing all that we can to put resources together. A lot of folks don't know where to go for their farmers' market or their food hubs, so we have direct—

Mr. ASHFORD. I think my time has expired.

Ms. ALONZO. I get very passionate.

Mr. ASHFORD. No. Just, also thank Eleanor Starmer as well for coming out. Thank you, Mr. Vice Chairman.

Mr. NEUGEBAUER. I thank the gentleman, and now the gentleman from Georgia, Mr. Scott, is recognized for 4 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman, and ma'am and gentlemen, thank you for being here today. Mr. Peterson asked about the potential for insurance for poultry growers. I, too, am concerned about the growers of poultry, so that is a bipartisan issue and I look forward to a review of those answers. I want to ask about something that has been brought up before, the pecan order. We have a tremendous number of pecan growers in my area. When I had cows, I paid a dollar every time we sold one into the beef industry and certainly thought that was money well spent as a cattleman. And I understand the hearings are complete on the Pecan Marketing Order, and what is the status of the proposal for pecans, and when do you estimate we will see the next action on this issue?

Mr. AVALOS. Congressman, being from New Mexico, also a major pecan-producing state, and having so many friends in the pecan industry, not only New Mexico, but in Texas, and now, I have quite a few friends in your State of Georgia, it is absolutely amazing that we took these growers, who at one time actually didn't get along, seeing them work together, seeing them work towards a marketing order for the benefit of the U.S. pecan industry, not for Georgia, not for New Mexico, not for Texas, but for the U.S. pecan industry, is absolutely incredible.

So anyway, three hearings were held, one in New Mexico, one in Texas, and one in Georgia. Tremendous attendance; received tremendous input from the industry. So now we are in the assessment stage, and I am not sure what the next steps are exactly, but I am going to ask Administrator Anne Alonzo to expand, but I just wanted to emphasize that if this marketing order, if it is voted on and goes through, will be a landmark accomplishment for the pecan industry, and it is all about obtaining market share and staying on top of the nut industry in the world.

So I will turn it over to Ms. Alonzo.

Ms. ALONZO. Thank you, Under Secretary. Yes, a proposal was submitted on behalf of the pecan industry by the American Pecan Board, and so as mentioned, we had three hearings this summer; and the next steps, that based on the hearing record, and the briefs that we have received, we are going to move forward in the formal rulemaking process, which includes a recommended decision, a public comment period, a Secretary's decision, a grower referendum, and a handler sign-up. And so those are the next steps in the process for the Pecan Marketing Order.

Mr. AUSTIN SCOTT of Georgia. Thank you for that. I know one other thing that would very much help that industry is if we were able to get the trade barriers with India removed. Certainly a tremendous market there, and anything that the people in your agency can do to help in removing those trade barriers, I would certainly appreciate.

With that, Mr. Chairman. I will yield back the remaining 35 seconds.

The CHAIRMAN [presiding.] The gentleman yields back. Mr. Crawford, 4 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. Thank you Secretaries and Administrators. Mr. Shea, from what I understand, APHIS is coming close to finalizing an SPS agreement with China for the import of U.S. rice. Throughout the process there have been some hang-ups on protocols like trapping, labeling, and segregation and varieties, but it seems like these issues have slowly been resolved. Can you give us an update on how this process is moving along and shed some light on how China is generally, when it comes to adhering to SPS protocols? I know they have a tendency to kind of move the goal posts, and I just want to get your assessment.

Mr. SHEA. Congressman, as you said we are very, very close. I think we have been working with them and they have been working with us in good faith on this particular issue. And we are very close. We had hoped to have been there already, but we are not. Things move slowly in negotiations with the Chinese as always, but we think we are very, very close to an agreement, but not quite there yet.

Mr. CRAWFORD. Thank you. Mr. Almanza, we met with Ambassador Froman last week to discuss the status of TPP negotiations, and I asked him why USTR has been intervening with OMB to hold up on issuing the final catfish inspection program rules. His response was that they were worried about making sure the rules are consistent with WTO protocols, and they want to make sure it is implemented without any objections from our trading partners, but what is confusing to me in this whole debate is don't these new rules follow the same equivalency standards as we have for chicken, livestock, and poultry in general? So why would a system we have had in place for decades cause a trade dispute?

Mr. ALMANZA. I would say it is because we have never inspected catfish, so that is probably a nuance there, but, yes, the equivalence process for other countries remains the same as with any other products that are imported through FSIS.

Mr. CRAWFORD. Did Ambassador Froman or staff at FSIS work with you during the development of the catfish inspection program so you could arrive at a product that is acceptable to everyone?

Mr. ALMANZA. Yes.

Mr. CRAWFORD. And if so, I don't understand what the concerns are on the back end.

Mr. ALMANZA. There are a number of issues that we have gone back and forth with them on, which is typical for a proposed rule, and this one, like I said, has a little bit of an added nuance in that it is going to be a totally different type of inspection protocol than we have ever had for catfish; and so meat, poultry, processed eggs, and catfish, catfish is just a different species that we have never done, and that is part of it.

Mr. CRAWFORD. Okay. Early on, I—I am going to shift gears a little bit here—I supported original, proposed new poultry inspection system rules which changed the role of food safety inspectors and increased line speeds. We have a few pilot plants in my district, and poultry companies there reported tremendous success on all fronts. I was disappointed when the rules were finalized that only food safety protocols were changed while the line speeds were not permitted.

So a couple of problems there, incentive for plans to move the new inspection models impaired because they don't have the opportunity to increase production speeds; and if the incentive isn't there, we are not making important steps toward improved food safety. It seems like a lose-lose. Can you report to the Committee in terms of how many plants have begun participating in the new model, and do you see any way to get back to the original proposed line speed?

Mr. ALMANZA. So we currently have 49 plants that have expressed an interest to opt in, which includes the original 20 that we had under what was a HIMP models project. So those plants are able to maintain the line speed which we thought was going to go along with this rule at 175 birds per minute. But what we are looking at is the food safety value, and to me right now, companies, for the first time, we are having them address *Salmonella* and *Campylobacter* control and required to do their own testing, which we hadn't done before. So that is a public health food safety advantage.

The other side of it, we believe, that with time, we will see what the plants that are opting in develop data as to how they are performing, and then we will look down at the future and see how that measures up to the plants that are running at 175 and see if there is any difference.

Mr. CRAWFORD. Thank you. I yield back.

The CHAIRMAN. The gentleman yields back. Mr. Yoho, for 5 minutes.

Mr. YOH0. Thank you, Mr. Chairman. I appreciate the panel being here. Mr. Shea, when you started off with talking about the decreased number of inspectors as dangerous in general, but especially in the face of an outbreak; and we in Florida with our Florida orange juice here—I hope this is not our last crop—with citrus greening and now with the Asian oriental fruit fly, I am sure you are aware of the damage it has done.



Adam Putnam, our Commissioner of Agriculture, has called a state of emergency for our state. And if that gets up in the Miami area, we are looking at a \$1.6 billion economic impact, and we appreciate the research and work that you guys have done. Knowing that, and you had brought up about the foot-and-mouth disease, how they haven't had an outbreak in South America since 2006, knowing the difficulty we have of exporting cattle that have been exposed to blue tongue, or the threat of BSE going into other countries and we know the economic impact and the danger that foot-and-mouth disease could have here in America with all cloven livestock, it is estimated to be between \$150 to \$250 billion is what I have heard, different estimates.

When I look at the benefit of importing beef from any country that has had that or they are using a modified live vaccine, I would like to hear your thoughts on that. And then also another question is, and I want to commend the USDA and APHIS in the Plum Island Research for coming up with a leader list of foot-and-mouth disease vaccine. It is cutting edge technology. Being such a safe vaccine, will that be rolled over in production in the United States and have a provisional release on that where they can manufacture it here in the private-sector?

Mr. SHEA. I will take the second part first. Our colleagues in the Agricultural Research Service did, indeed, come up with a new vaccine that we are now working with them on to see how it can be tested and whether or not it can be produced in the mainland in mass quantities. We are certainly not at that point yet. We can't even bring a vaccine onto the mainland without special approval from the Secretary, so we are still working through that process; and indeed, foot-and-mouth disease, of course, is also a select agent, so we have to work through our select agent regulation.

Mr. YOHO. How long have we been waiting on that approval?

Mr. SHEA. We are just now getting to that point. So that has great promise, and you are absolutely right. We would be better off having more FMD vaccine available and more kinds available, and so we are certainly going to be working with our colleagues in ARS to pursue that.

As to your first question about the beef from Argentina and Brazil, I understand that importing some beef from Brazil or Argentina might have limited impact, or limited benefit to the U.S., but we in APHIS see it somewhat differently. We need to do rules like this so we can have credibility going around the world to, as you say, get our beef into other countries. So if we want other countries to treat us the same way, we need to apply the same kinds of principles.

Of course, we believe, with foot-and-mouth disease, it is a special threat. I understand that completely, and that is why before we would let beef in from Argentina or Brazil, the 14 states of Brazil, we have all those mitigations required that I mentioned earlier. So that is our thinking of why we think it is appropriate to do it while still understanding your very valid point.

Mr. YOHO. I know the Administration is trying to allow that beef to come into this country, but before the rules and all the studies have been done, I would hope that APHIS would stand strong to protect the domestic beef population so we don't have that threat.

I yield back. I am out of time. I look forward to talking to you down the road.

The CHAIRMAN. The gentleman yields back. Mr. Rick Allen, 4 minutes.

Mr. ALLEN. Thank you, Mr. Chairman. I thank the panel for your testimony here this morning. And just thinking about the process, dealing with everything that you have to deal with, I know our state commissions, their budget is about a little north of \$51 million, and particularly dealing with the avian flu and some other things, and realizing that we are all stretched budget-wise, has there been any attempt at overall collaboration? I know the states are sensitive to Federal intrusion, and I understand that as far as, particularly from a regulatory process. But it looks like when we have a situation, say in Iowa, in Minnesota, it looks like it ought to be kind of all hands on deck across the country, because eventually we are going to all possibly be affected by that.

And I hear from our farmers' and our producers often about the regulatory environment and kind of what the, okay, yes, and we appreciate your help very much, but there always seems to be a price to pay for that.

Have you all thought about some overall, and I will ask both the Under Secretaries, any overall collaboration across the country when we have these events, whether it be foot-and-mouth disease or avian flu or whatever and say all hands on deck; we need to deal with this problem?

Mr. AVALOS. Congressman, we actually have quite a bit of cooperation working together with our stakeholders throughout the country. For example, at APHIS, vet services, we have cooperative agreements for most of our diseases, for different pests, with the states, animal disease traceability. We implemented a national program where we have complete cooperation nationwide with the states, and a lot of the funding that the states receive, they received from USDA.

So some of this is already ongoing. I understand what you are saying absolutely because I know that state budgets are tight, and when a major outbreak like, in this case, high-path avian influenza; in other cases we had Asian long-horned beetle; we had European grapevine moth, and we can go on and on. So we do look for ways to be more efficient, look for ways to work with our stakeholders across the country.

Another example, we mentioned the feral swine program. We received money from Congress, Federal money, but it is not 100 percent Federal program. Every state is a stakeholder, and every state puts money into this, and the private-sector puts money into this, so some of this is ongoing.

Mr. ALLEN. Right. Certainly it is a big country. We have tremendous resources. Obviously, the poultry industry is the largest industry. I mean, Georgia is number one in that industry. We have tremendous. We have a poultry research center there at the University of Georgia. And I would think across this nation, including USDA, we would have the resources available to deal with these matters, even when you are, as you say, *stretched*. I certainly think that collaboration in all instances is very important. I would also

like a quick update on the, Administrator Shea, on the various aspects of the high-path avian influenza.

The CHAIRMAN. Mr. Allen.

Mr. ALLEN. Timed out?

The CHAIRMAN. Yes. We will do a second round if you need to. Mr. Thompson, for 4 minutes.

Mr. THOMPSON. Mr. Chairman, thank you. Thanks to all the Secretaries, Administrators, for your service, for being here today. I wanted to, Administrator Shea, APHIS has made some very firm commitments about how long it takes to make regulatory decisions for biotechnology products, which obviously are very important. This is something this Committee has worked on. My question is pretty straightforward. Are you meeting those goals? Can you talk about the process a little bit?

Mr. SHEA. Yes, we are absolutely making the goals. We had 23 deregulation decisions pending 3 years ago. Twenty of those 23 have been made. Since that time, 11 more deregulation requests came in. We have completed seven of those and expect to complete three more of those within the next month. So there are only seven pending decisions right now, and that should be down to four within a few days. So we made some tremendous improvement there.

I think one thing we simply did was, something that a lot of folks kind of miss, in processes, that there are a lot of internal deadlines; and you have to enforce each internal deadline with all the various people that have to approve something, and just by doing that, we made great progress. We also are focusing on novel or new kinds of technologies that we are looking at so that we can take our prior analysis and decision-making on more standardized biotechnology and make those decisions more quickly. So we are really doing very, very well with this.

Mr. THOMPSON. Thank you very much. Mr. Secretary, you recently proposed very stringent, new performance standards for ground turkey and chicken products. Do you think the industry as a whole can even be able to meet those new standards, and are you certain that their implementation will result in quantifiable benefits to American consumers that will ultimately outweigh the cost to both the industry and the consumers?

Mr. ALMANZA. Yes, we do believe that they would be able to meet those standards. I think they have made significant strides since we have been talking about this, and we proposed, they understand about more stringent performance standards that we are going to have. We do believe that they will be able to meet them ultimately. They have met them before, and we do believe that there is going to be a quantifiable advantage to the American consumer just based on some of the problems that we have had in the past with those products.

Mr. THOMPSON. So you will be able to measure, and at some point, share with us, the cost-benefit analysis of the cost of implementing the regulations *versus* the benefits?

Mr. ALMANZA. Certainly we can provide that to you if you would like that.

Mr. THOMPSON. Sure. I think that is important any time we are looking at regulation.

Mr. ALMANZA. Absolutely.

Mr. THOMPSON. I appreciate what you are doing. Administrator Mitchell, at times, livestock market owners have been told by GIPSA they may not exclude people from their places of business. When can a livestock market exclude someone for financial reasons, and how can they go about it?

Mr. MITCHELL. Well, we expect markets to admit all willing sellers and buyers. The exception helps to ensure livestock producers who consign livestock will have the widest possible pool of potential buyers. Further, the United States Supreme Court held that the Packers and Stockyards Act makes stockyard market agencies public utilities with a duty to serve all impartially and without discrimination.

At the same time, the Act makes the responsibility of every stockyard owner to prescribe rules and regulations to require those persons engaging in the purchase, sale, or solicitation of livestock, to conduct their operations in a manner, which will foster, preserve, and ensure an efficient, comprehensive public market. GIPSA expects market agencies to take those reasonable steps to assure that those who bid on livestock have the financial ability to pay for the livestock and to assure that the market personnel and market participants behave appropriately.

Occasionally, a market may find it necessary to exclude a buyer because the individual has failed to pay for livestock. Even less frequently, a market may determine that a market participant's presence is disruptive to the conduct of business and act to exclude that individual. GIPSA has not addressed the statutory requirements through regulations. Rather, the agency has relied on the livestock markets to conduct their business fairly and with professionalism. In the rare instances where a problem arises, GIPSA would investigate a complaint that an individual has been unlawfully excluded from market and determine whether the actions of the market violate the Act.

Mr. THOMPSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Kelly, for 4 minutes.

Mr. KELLY. Deputy Under Secretary Almanza, I just want to follow. I share the sentiments from the gentleman from Arkansas as to the catfish. What other meats are not inspected that either come in or don't have similar inspection patterns that come into the United States that we export?

Mr. ALMANZA. What other?

Mr. KELLY. Meat. There is for poultry. There is for beef. What other meat, other than catfish, is not inspected that we export that does not have a dual inspection role, either going in or coming out?

Mr. ALMANZA. Right. The only thing that FSIS is responsible for is meat, poultry, and processed eggs. Everything else is basically inspected by FDA.

Mr. KELLY. Okay. And this is for Administrator Shea. While high-pathogen avian influenza hasn't affected the southeastern United States of which Mississippi and several other states are there, our poultry producers and resources are doing all they can to prepare. What lessons have you learned at APHIS about the spring's avian influenza outbreak that will make it better, make

you better able to respond to that when and if it hits the Southeast?

Mr. SHEA. First, of course, we know there needs to be better biosecurity. Biosecurity in poultry farms is really good, but not good enough for this kind of outbreak, so we need to step that up. That is the lesson. But once an outbreak does occur, we have learned a lot of lessons. First, we need to depopulate the sick and exposed birds as quickly as possible; two, we need to compensate those owners quickly so they can get back on the road to recovery, get back into business; we need to very quickly determine how to dispose of the carcasses. That was something that was a cause of delay before. We need to know whether we are going to compost them in the hothouse, compost them in the field, bury them, incinerate them, or take them to a landfill; but we need to make that decision very, very quickly. In the Southeast with lots of broilers, composting in the house would probably work well; but we need to make that decision on a case-by-case basis.

I know in Georgia, they would prefer to not do that, so we need to work with everyone on that. We also know we need consistency on how we are going to clean and disinfect each facility once we are done.

Mr. KELLY. Mr. Under Secretary, I am not sure who to address this question to, but one of the issues I had come up while I was back home in district, was between the grower and the owner of broilers, a lot of times the grower does not have insurance or cannot get insurance and it goes to the owner of the broilers, not to the grower. Are there any provisions, or has USDA, or has anyone looked at how do we take care of the grower who not only loses his crop that he doesn't get paid for, but also is not capable of growing crops in the future or for a long time?

Mr. AVALOS. Congressman, that question has come up before in conversation, and I do not have an answer for you but Administrator Shea can explain the process to you.

Mr. SHEA. It is kind of ironic, but for low-pathogenic regulations, we do require that the grower gets some of the compensation; and we do not have that in our current regulations for highly-pathogenic avian influenza, but we are looking to correct that.

Mr. KELLY. Thank you both for your answer. Mr. Chairman, thank you again for allowing me, and thank the panel, and I yield back the balance of my time.

The CHAIRMAN. The gentleman yields back. Mr. DesJarlais, 4 minutes.

Mr. DESJARLAIS. Thank you, Mr. Chairman. Mr. Shea, you and I have talked a few times by letter and otherwise regarding the walking horse industry, and I wanted to speak with you a little bit today. I sent you a letter on August 10, and you were very gracious to give me a response by August 20, and I appreciate that. I have had a lot of calls from constituents over concerns about the objectivity in the inspection process on the walking horses, and the numbers grew to the point that I decided to hold a town hall during the week of the celebration in Shelbyville. They had set aside a room for 450 people which ended up overflowing and had to be moved into an arena, and we had over 1,100 people in attendance. And I don't think in 5 years I have ever had that many people turn

out for a town hall, so it is important that we talk a little bit about it.

What is your current opinion about the state of the walking horse industry; is it improving and does it have a right to exist in its current form?

Mr. SHEA. It certainly has a right to exist in its current form. And we certainly believe that the industry can exist without soring. And, indeed, despite the understandable controversy at the celebration, nearly nine out of ten horses passed inspection. So it is, indeed, possible to train a horse, to compete in the celebration and other Tennessee walking horse shows without soring. So we believe that certainly the industry is in better shape than it was many years ago when soring was openly blatant. That is not the case now, I don't think.

Mr. DESJARLAIS. Okay. And I was just looking at some numbers and there were VMOs and DQPs at 39 shows through the first 8 months of the year. And over 4,300 horses were inspected and there was a turndown rate of about one percent. So I would say that is pretty good, wouldn't you?

Mr. SHEA. I am not sure that I can concur with those statistics. I believe that the disqualification rate was somewhat higher than that. But it is—

Mr. DESJARLAIS. With the celebration, I agree. The celebration is kind the Super Bowl of horse shows. So it is kind of in the NFL—they play all the games all year long to get to the Super Bowl so people can come and watch the best athletes, if you will. But at the celebration this year there was about 1,200 horses inspected—or 2,000 horses. No, 1,200 entries and there was about a ten percent turndown rate.

How can you explain one percent through 8 months of August, same horses, same inspectors, same BMOs, and then they get to the big Super Bowl of shows and it jumps tenfold?

Mr. SHEA. There are any number of reasons why it can increase.

For one, scarring and soring can take place throughout the entire year. And by the time the horses get to the celebration, the soring and the scar caused by the soring is more apparent and easier to see, is one thing.

Second, because the stakes are so high at the celebration, our experience is that, perhaps, owners and trainers are more willing to try to get a sored horse through inspection than they might at a lower stake show.

Mr. DESJARLAIS. It seems like they would know that there would be more people watching there, so I don't necessarily agree with that. Do you think that a biopsy is an appropriate objective form of testing for scarring? Let's say a horse gets turned down for scarring and a biopsy is performed and it shows no scarring, would that be insignificant to you?

Mr. SHEA. Well, certainly, if a biopsy were to prove that, it would be something we should look at.

Mr. DESJARLAIS. Okay. Is thermography capable of detecting scarring?

Mr. SHEA. Thermography does not detect a scar, but it indicates where a scar may be.

Mr. DESJARLAIS. Okay. Now, like if there were 200 horses, or whatever I said, turned down, 126 were turned down, how many of these are followed up on an issued citations? The whole Horse Protection Act is to get rid of bad actors, and I think it should be and I think that is great. How many are followed up on and issued citations?

Mr. SHEA. We either issue a citation or issue a warning letter to all of them. But because there are so many, we simply can't follow through and file a Federal case against literally each and every one.

Mr. DESJARLAIS. Okay. I thank you for your time. Mine has expired, but I hope we can visit some more about this later.

Mr. SHEA. I would be happy to.

The CHAIRMAN. The gentleman's time has expired.

Mr. Abraham, for 4 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman. And I thank the panel for being here. I actually think you men and women are an integral part of our national security because food safety is utmost on all of our minds, and certainly a place where our enemies could do us harm if they so choose. So thanks for doing a good job on that.

I will address my question to you, Secretary Almanza. I am both a veterinarian and a human physician, so the use, or lack of use, of antibiotics in our food chain is somewhat important to me, and I will hit it from two questions real quickly.

On the veterinary side, I understand the withdrawal times, but the use or the lack of use of antibiotics in the feedlots in our poultry farms, have there been studies or what's the discussion on y'all's level as to animal welfare and mortality morbidity as far as use and lack of use of antibiotics and that? And on the human side, you mention in your opening statement several food pathogens: *E. coli*, *Salmonella*, *Listeria*, and *Campylobacter*. Those we know about.

Any studies or discussions, again, at your level, as far as whether antibiotic use or lack of use does promote resistance?

Mr. ALMANZA. That is primarily at FDA, what I would say is in their bailiwick for setting standards. I will tell you that we are very active in testing for residues. If we have veterinarians in each of our slaughter plants, in addition to food inspectors as well, but at any time if we see any injection sites, anything that appears to be abnormal, we certainly test those animals to see whether they have any residues, that they haven't met any withdrawal times and things of that nature.

Now, we also work very closely with FDA and with CDC, as well, to look at the prevalence of these types of issues and concerns certainly in the biosecurity arena as well.

Mr. ABRAHAM. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman yields back.

Mrs. Walorski, for 4 minutes.

Mrs. WALORSKI. Administrator Shea, I am thrilled that you are here. I have additional questions about the avian flu.

I appreciate your answers to Mr. Kelly. I just have a couple of additional questions on that. For example, so in Indiana, obviously, we are in the Midwest. We had a brief skirting of this with only 77 birds destroyed. But certainly in my district, in northern Indiana, where we have a large amount of poultry providers and egg

production, I have worried constituents. And what you were talking about just a second ago with biosecurity, depopulating very, very rapidly and things like that, in some cases it took 2 weeks to put down all those birds. And we were embroiled in that conversation about this question. Then what? What are they going to do with all these birds and how are they going to disintegrate them or what is going to happen? You are alluding to all of that.

So when you looked at these states that were wiped out, did you look at states like Indiana as well that had these skirmishes, and when you are looking at setting policy are you going to include states like Indiana, these professional growers as well, since we have already dealt with that. There is a lot of stress in my district about what happens in spring with these migratory populations. Can you speak to that?

Mr. SHEA. Sure. I think that every state is pretty much in the same boat. As was mentioned earlier, we are all in this together, and every state needs to have pretty much the same approach to it, no matter what kind of poultry you have or how large a poultry industry it is. We are all in this thing together. So we definitely have looked at how it can work in every state.

One of the things we did to plan for the fall was ask every state to tell us the state of their readiness for an outbreak in the fall, and each one did that. And many are in very good shape, others learned through this survey that we sent them that they need to do more.

Certainly, Indiana has a very vigorous and robust animal health operation with Dr. Marsh for many years.

Mrs. WALORSKI. Absolutely. He did an incredible job, by the way.

Mr. SHEA. And so I am pretty confident that Indiana will be prepared better than maybe even some other states would be should there be an outbreak.

Mrs. WALORSKI. I appreciate that, and I agree.

Do you feel APHIS has the authority to do what it needs or do you feel Congress needs to make legislative changes?

Mr. SHEA. I think we have the authority we need. And also kind of getting back to something that was mentioned earlier, much of the regulatory action that takes place in a program like this is really under state power. The state imposes the quarantine, the state actually issues depopulation orders. So we have to work hand in hand with states on these programs.

Mrs. WALORSKI. I appreciate it. I appreciate your efforts as well. I yield back, Mr. Chairman.

The CHAIRMAN. The gentlelady yields back.

Mrs. Hartzler, for 4 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman. Thank you, everyone.

I wanted to reference some of the other questions on catfish, Deputy Under Secretary, in that this species has been successfully inspected for years through the FDA, correct? There has been no major human health risk, isn't that right?

Mr. ALMANZA. Not that I am aware of.

Mrs. HARTZLER. Right. And are you aware that moving forward with this rule is jeopardizing the TPP as it relates to Vietnam and that they believe that it violates the WTO agreements and it opens



up all the rest of the agricultural products in America to retaliation?

Mr. ALMANZA. I have certainly read that. But as a regulator at FSIS, I am basically about food safety, and I can't pay attention to that rhetoric.

Mrs. HARTZLER. Sure. How much money has the agency spent already on trying to implement this rule?

Mr. ALMANZA. Well, implement is probably a little over the top because basically what we have done is we have tried to set up what catfish inspection would look like. I could get you an exact number so that you can have that, but we can provide that to you.

Mrs. HARTZLER. Sure. I have heard already we have spent \$20 million. And I don't know if that is the case or not, but we have invested already and it is not even set up. And we have another agency that we are spending hard-earned tax dollars on that is already doing it successfully.

Mr. ALMANZA. Well, one of the things I will say is that it is different in that the way FSIS inspects, we are there every single day, FDA isn't. They may get there once every year or every 3 years.

So having a robust inspection system of every single catfish that is slaughtered—if you want to call it slaughtered—and having direct oversight over that every single day is significantly different than just having somebody come audit your plant.

Mrs. HARTZLER. Sure. And it is going to cause a lot additional cost without necessarily a need there.

But anyway, I want to move on, but thank you for that.

Administrator Mitchell, I want to thank you for being so prompt in replying to a letter that I wrote to you about some concerns with the livestock marketing facilities in my district as relates to the auditing process.

And I was really thrilled and I know all of my livestock markets at home are very appreciative of getting the information back to them now in a timely manner after an audit so there is some closure. So I just wanted to thank you for that.

And just generally in reference, though, can you give me a little more background about the way that GIPSA strategically decides who to audit and when?

Mr. MITCHELL. Well, most of our work is done by our resident agents. Many years ago, we reduced the number of our offices from 13 down to three. So a lot of our agents are in a locale. They will have an entire state, they may have part of a state, or they may have several states. They do ride a circuit. It is not etched in stone on what year or what month they are going there, but they are on the ground. And they have to go on some of the information that they may pick up at other sales or from producers. And, of course, we have an 800 number hotline that comes in for people to call in that might get someone reviewed.

But it is fairly well at random. But when you have a facility that hasn't been reviewed in many years, they probably will be coming up for review very soon. We take it very seriously. We want to make sure that they are in business. Our livestock barns, they are rural for the most part, they are certainly local, they are small businesses, and they are just absolutely vital to ensuring that we do have price discovery within the market.

So, I don't have a formula for you on exactly when it is going to come up, but it has a lot to do with those folks that are on the ground out there.

Mrs. HARTZLER. Thank you. My time has expired.

The CHAIRMAN. The gentlelady's time has expired.

Mr. Rouzer, for 4 minutes.

Mr. ROUZER. Thank you, Mr. Chairman. I appreciate each of you coming before the Committee today.

Mr. Shea, I have been advised there is a pretty serious shortage of FMD vaccine needed to manage an FMD outbreak. Can you share with us what the Administration's plan is for that?

Mr. SHEA. Well, indeed, there is not a huge vaccine bank for foot-and-mouth disease. But I want to emphasize that our first reaction, God forbid we ever did have a foot-and-mouth disease outbreak in this country, would not be to vaccinate. We would immediately try to stamp that disease out through depopulation and movement restrictions because we don't want to move immediately to a vaccination program because that could lead to export restrictions. And we want to eradicate the disease, not live with it through vaccine.

We are looking at all the options for vaccine. I think it was alluded to earlier, our colleagues in the Agricultural Research Service have been working on a leaderless vaccine which has great promise. So we are, indeed, looking at other possibilities.

Mr. ROUZER. Given all that, do you have any idea what type of cost estimate if we are going to try to tackle this from all quarters, what type of cost estimate we would be looking at for a vaccine?

Mr. SHEA. I hesitate to say what that cost may be until we can see how this leaderless vaccine works out. Traditional FMD vaccine currently used around the world is very, very expensive, certainly.

Mr. ROUZER. I have heard some reports that should we pursue that route, the industry might be required to help cover the cost of it. Has there been any discussion of that or any insights you can share on that front?

Mr. SHEA. We haven't made any kinds of policy decisions like that. We have had some very generalized discussions with industry about the vaccine issue. We certainly agree with them that we would be better off to have a good supply of effective vaccine for foot-and-mouth disease, but we haven't really gotten to any kind of details how to pay for these very high numbers that would be involved.

Mr. ROUZER. Thank you very much. Mr. Almanza or Almanza, which do you prefer?

Mr. ALMANZA. Al is fine with me.

Mr. ROUZER. Well, I get asked all the time, do I like Rouzer or Rouzer and I say Rouzer so—

I have a question for you. What sorts of tools and assistance can FSIS provide to assist smaller producers or facilities? What is the best way for those businesses who are looking for answers to get those answers?

Mr. ALMANZA. We have an extensive outreach program for small and very small plants. And at the beginning, I kind of covered our food safety app that we developed, that Food Keeper app. We think that that is really helpful for not only small and very small plants, but it is just general outreach that we did with Cornell.

But we have a USDA small plant help desk that fields calls. Last year, we had over 1,400 inquiries. We had 1,400 inquiries just through the third quarter of this fiscal year. And then we also have a small and very small plant web page that received close to 12,000 views through the third quarter of 2015.

So we tend to do a lot of outreach to small and very small plants because they don't have the resources available to them to get those kind of answers.

Mr. ROUZER. And real quickly, I understand you all are updating the way you carry out inspections. If you want to talk about that for a second and any updates on any proposals to modernize hog slaughter?

Mr. ALMANZA. Yes. So the whole modernization effort, I spoke to that about what we did with our new poultry inspection system. Right now we are gathering data and analyzing that data in the five plants that we currently have under the HIMP project in swine plants. What we are looking to do is develop enough of the data, analyze it, and have a proposed rule to implement that, or just to have a proposed rule by the end of the year.

Mr. ROUZER. Thank you, Mr. Chairman. My time has expired.

The CHAIRMAN. The gentleman's time has expired.

Let me follow up. I think all the Members have talked.

Mr. Shea, can you talk to us a little bit about if we had an FMD outbreak in Texas and it migrated into the feral hog population, one, is that likely or not, but if it did happen, how do we control that?

Mr. SHEA. Well, certainly, we would hope that wouldn't happen and we would find it quickly.

The CHAIRMAN. I mean, that is the problem I am dealing with as we look at this issue with Argentina and South America, is that this is a high stakes deal. If it were just animals that were under pen and you knew where they were and could handle them, that would be one thing. Mr. Avalos has a great program going, but we create more feral hogs every day than we are killing, so what would happen to us?

Mr. SHEA. Well, certainly, if we started seeing foot-and-mouth disease circulating in feral swine, that might be the point where vaccination is going to have to become the next tool. Because, obviously, we can't capture and depopulate all the feral swine. There are at least five million in the United States now and 1/2 of them are in Texas.

The CHAIRMAN. Ms. Fudge, did you want to ask questions of this panel.

Ms. FUDGE. No.

The CHAIRMAN. Gentleman and ladies, thank you very much for being here this afternoon. We appreciate it. This was very educational. Again, as for the other panels, we really appreciate what you do day in and day out. Your team goes to work every day to work on your issues and to make sure that the American consumer has the, when we talk about the cheapest, most abundant, and safest, you are on the safe side for the most part, and we appreciate everything that you do to make that prediction fulfilled every single day, so thank you very much.

If you wouldn't mind transitioning down to 1306, we will let the Members swing by and say a quick word to you individually if they want to, while we transition to our third panel. But again, thank you very much for your testimony today we appreciate it.

We will take a break for about 3 or 4 minutes.

[Recess.]

The CHAIRMAN. I would like to welcome our third panel to the witness table today. We are joined by the Honorable Kevin Concannon, who is the Under Secretary for Food, Nutrition, and Consumer Services at USDA. He is accompanied by Ms. Audrey Rowe, Administrator, Food and Nutrition Service; and Ms. Angie Tagtow, who is the Executive Director, Center for Nutrition Policy and Promotion.

Ms. Rowe, did I get your name right?

Ms. ROWE. Yes, sir.

The CHAIRMAN. Terrific. I made it through that one. Mr. Concannon, you have the microphone for 5 minutes.

**STATEMENT OF HON. KEVIN CONCANNON, UNDER SECRETARY, FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY AUDREY ROWE, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, USDA; AND ANGELA TAGTOW, M.S., R.D., L.D., EXECUTIVE DIRECTOR, CENTER FOR NUTRITION POLICY AND PROMOTION, USDA**

Mr. CONCANNON. Thank you, Mr. Chairman. Since time is short, I will highlight a few key points, but I ask the Committee to review my full written statement.

As the economic recovery continues to strengthen, we remain acutely conscious of the impact of nutrition programs in the lives of Americans and supporting institutions, such as schools, volunteer organizations, and the health care system.

The program works through partnerships in communities across the country with national standards for eligibility and benefits, but considerable state and local flexibility, a combination that is critical to success. These successes also reflect a partnership between Congress and Administrations of both parties that we must continue.

President Nixon established the Food Nutrition Service. Senators Dole and McGovern, with others on both parties, fought for food stamps and WIC in the 1970s. And Members of this Committee from both parties championed the Agricultural Act of 2014.

When I travel, I visit not just government offices, but schools, food banks, WIC clinics, and employment programs to see firsthand how services are delivered and who receives them. The Committee's informative and useful hearings on SNAP, chaired by Congresswoman Walorski, have affirmed, through the testimony of most witnesses, the program's value in the lives of Americans aligning with the positive impacts I see on the ground. Let me briefly outline a few.

As SNAP provides needed food assistance, it lifts millions of people out of poverty and lessens poverty's impact on food insecurity effects supported by research. And while SNAP has not solved food insecurity, it has contributed to its decline between 2011 and 2014.

SNAP also supports work. I rely on my experience as a State Commissioner overseeing food stamps and other safety net programs in three states, but the statistics confirm it too. Today, 31 percent of households, including 42 percent of recipients, have earnings—a major shift from 20 years ago.

SNAP requires able-bodied adults to register for work, deducts part of their earned income to incentivize work and lessens the benefit cliff and helps recipients get jobs. We all agree that meaningful work is the right way to reduce demand on nutrition assistance, and strengthening this part of SNAP is a priority.

Our new Office of Employment and Training is reenergizing SNAP E&T to help recipients get good-paying jobs. We promote fuller E&T efforts in meetings with states, urging engagement with organizations such as Goodwill, food banks, and job centers. And the farm bill E&T pilots will help us define and scale up the most effective strategies.

Nutrition is the link between agriculture and health, and USDA Foods, formerly called USDA Commodities, support both good diets and our nation's farmers, who have reduced sodium, fat, and added sugars in the products we buy, increase the variety of fruits and vegetables available.

Though I am pleased by these results, I know we can do more. We have refocused SNAP on evidence-based nutrition and healthy weight strategies, including farm bill authorized efforts to expand and test incentives to encourage healthier food choices.

We have brought more farmers' markets into SNAP—a win-win for farmers and SNAP recipients. As of July, more than 6,400 farmers' markets and farmers are SNAP authorized—a seven-fold increase since 2008. The farm bill authorized pilots to use USDA food funds flexibly to enhance schools' ability to buy locally.

Our Center for Nutrition Policy and Promotion choose MyPlate Resources are widely used by dietitians and recognized by American consumers. The center develops the USDA food plans, tracks the nutrient content of U.S. food supply, and produces the annual *Cost of Raising a Child* report.

We are working with the Department of Health and Human Services on the next addition of the *Dietary Guidelines for Americans*, which will remain within our mandate to quote “provide nutrition and dietary information and guidelines based on the preponderance of the scientific and medical knowledge.” In the future, the *2020 Guidelines* will include guidance for infants, babies, and women who are pregnant or breastfeeding.

Public trust demands our ongoing commitment to improve integrity. We must also stop the unfortunate misinformation that these programs are rife with abuse. This too undermines public trust and does nothing to help Americans. SNAP's 2014 payment accuracy rate is one of the best in the government, but any improper payment is too much so we must continue to improve. Trafficking the sale of benefits for cash has been reduced from four percent down to 1.3 percent. Again, we are not satisfied. We continue to push states on that issue.

We recently reorganized and created a retail operations division that focuses on high risk areas around the country while enhancing customer service. Last year, we permanently disqualified 1,400

stores or storeowners, the most ever in 1 year. New rules will stiffen penalties on those who try to exploit the program. But most people follow the rules. We work closely with our state partners to fight recipient fraud.

Let me turn briefly to disaster nutrition assistance, not one of our larger functions, but a critical one, especially these days. I received a report yesterday on the fires out West. Over the past month, we have been very much involved helping people out in the CNMI, Congressman Sablan's area, where, again, they were affected by a terrible set of storms. So it is important to know that we have that capacity as well.

While I have discussed the major farm bill authorized programs, my written statement includes results and priorities for nutrition programs authorized through other laws. I thank you for your time and attention and the opportunity to appear before you today.

[The prepared statement of Mr. Concanon follows:]

PREPARED STATEMENT OF HON. KEVIN CONCANNON, UNDER SECRETARY, FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Thank you, Mr. Chairman, and Members of the Committee, for the opportunity to update you on the work of the U.S. Department of Agriculture's (USDA) Food, Nutrition, and Consumer Services (FNCS) mission area, and to highlight our current priorities. I am joined today by Audrey Rowe, Administrator of the Food and Nutrition Service (FNS), and Angie Tagtow, Executive Director of the Center for Nutrition Policy and Promotion (CNPP), the two agencies within our mission area. The programs administered by FNS touch one in four people in this country over the course of a year, improving food security and diet quality for children and low-income people throughout the United States, while CNPP reaches Americans of all income levels with information to help them improve their health and well-being.

While FNS' nutrition assistance programs have helped millions of Americans meet their nutritional needs during tough economic times, I'm pleased to join you at a time when the economy is recovering to the benefit of more and more Americans. The official unemployment rate has been below six percent since last September. It also appears that the economic improvement has started to yield decreases in participation in the Supplemental Nutrition Assistance Program (SNAP) from the levels we saw as a result of the recession. SNAP continues to respond to changes in the economy precisely as it was designed to do. There are currently about 1.3 million fewer participants in SNAP than there were 2 years ago and the reductions in participation are geographically dispersed. As of May, SNAP participation was lower in more than  $\frac{3}{4}$  of the states and Territories that operate the program as compared to 1 year earlier, and the downward trend in participation is expected to continue, with more than 1.9 million fewer people receiving SNAP in 2016 than in 2013. While the recovery has not yet reached every American, there are encouraging signs.

We are making good progress on the economic front. But despite the many people who have benefited from the recovery, there remain millions of American families in need. The nutrition assistance programs remain vitally important to help these struggling families put food on the table.

We have a great responsibility to continue our bipartisan work to ensure the safety net programs remain an important part of our country's social compact to serve those who need it. President Richard Nixon convened the 1969 White House Conference on Hunger and established the Food and Nutrition Service at USDA. Senators Bob Dole and George McGovern, along with others from both parties, fought for the expansion of the Food Stamp Program and Special Supplemental Nutrition Program for Women, Infants and Children (WIC) in the 1970's.

The commitment to these programs has endured and grown under bipartisan leadership from both ends of Pennsylvania Avenue, as was evident in the passage of the Agricultural Act of 2014 (farm bill) thanks to the efforts of former Chairman Lucas and Ranking Member Peterson. I want to thank you, Chairman Conaway and Ranking Member Peterson, as well as the other Members of the Committee, for carrying on that legacy of bipartisanship. I am proud of the accomplishments shared by the Administration and Congress related to the nutrition assistance programs.

I have watched with interest the series of hearings that the full Committee and Chairwoman Walorski of the Nutrition Subcommittee have convened to review the operations and impact of SNAP. These have been informative and useful hearings, and have underscored the evidence base underlying SNAP and other nutrition assistance programs. It is also important to pause and examine the accomplishments of the nutrition assistance programs in offering critical support to those in need. Let me review a few key points in this regard. Research on the long-term impacts of the introduction of SNAP (formerly the Food Stamp Program) showed that young children who had access to the program when it was first rolled out county-by-county saw long-term health benefits. They were less likely to suffer from high blood pressure, heart disease, obesity, and diabetes, and the study also found that SNAP participation increased educational attainment, employment, and earnings.

We know that SNAP, in addition to helping millions of low-income Americans put food on the table, more than  $\frac{1}{2}$  of whom are children, the elderly, or individuals with disabilities, also lifts millions of people out of poverty. The Census Bureau indicates that SNAP lifted over five million Americans—including nearly 2.2 million children—out of poverty in 2013. The Supplemental Poverty Measure, based on recommendations from the National Academy of Sciences, shows that SNAP reduced child poverty by three percentage points in 2012—the largest child poverty impact of any safety net program other than refundable tax credits. We also know that SNAP effectively mitigates the effect of poverty on food insecurity. A recent USDA study found that participating in SNAP for 6 months is associated with a significant decrease in food insecurity. The temporary increase in SNAP benefits provided in the Recovery Act resulted in a sharp decline in the number of households experiencing very low food security (meaning that one or more household members had to skip meals or otherwise reduce their food as a result of insufficient resources).

We also know that SNAP supports work. Today,  $\frac{1}{2}$  of SNAP households with children have earnings. This includes 42 percent of female-headed, single-parent households, and 70 percent of married-couple households participating in SNAP. This reflects a dramatic transformation over the past 20 years. As you are aware, SNAP requires able-bodied adults to register for work, allows a deduction for earned income to incentivize work, reduces benefits gradually as income increases to avoid a “benefit cliff,” and provides employment and training services to help participants prepare for and get jobs.

Though the results are impressive, we all know there is more to be done to make these programs even more effective. We are working vigorously on a number of fronts, and I look forward to continue to work with you and the Committee toward our mutual goals. Let me briefly review some of our most

- In SNAP, we continue to work with states to implement evidence-based approaches to nutrition education and prevention of obesity to support and facilitate healthy eating choices among SNAP participants. For example, the farm bill provided \$100 million for us to work with retailers, including farmers’ markets, on incentives to encourage healthier food choices and increase access to fruits and vegetables. We are also developing new standards for retailers to stock a wider array of healthful offerings, as required by the farm bill.
- We are expanding SNAP participants’ access to farmers’ markets to improve access to fresh and nutritious food. This is a priority not only of mine, but also of the Secretary. This is a win-win for farmers who experience an increase in customers, and for SNAP clients who have better access to healthy food. In 2008, there were only 753 SNAP-authorized farmers’ markets and direct-marketing farmers. I am happy to report that as of July 2015, there were more than 6,400 SNAP-authorized farmers’ markets and farmers. That is over a 750 percent increase.
- The farm bill authorized us to provide SNAP Employment and Training Pilot grants to ten states to demonstrate and evaluate new and innovative ways to help SNAP participants prepare for and get meaningful work, and help them move toward self-sufficiency. The ten pilots, selected in March 2015, are now underway, and Secretary Vilsack and FNS have made it a priority to assist all states in making more effective use of regular SNAP Employment and Training funding that is available.
- In our food distribution programs, we are enhancing services to participants in a variety of ways. We implemented a farm bill-authorized pilot that is allowing schools in eight states to flexibly use their USDA Foods entitlement to buy unprocessed fruits and vegetables for school meals, and to make those purchases locally if they choose. We are providing ground bison, a healthful traditional food, for the first time in a number of years for use in the Food Distribution Program on Indian Reservations (FDPIR). We transitioned the Commodity Sup-

plemental Food Program (CSFP) to an elderly-only program, as required by the farm bill, and expanded it to an additional seven states with funding provided by Congress in the Fiscal Year 2015 appropriations bill, allowing over 600,000 low-income senior citizens to be served nationwide. And so far this year, we've purchased over \$160 million in additional USDA Foods for bonus distribution through The Emergency Food Assistance Program (TEFAP), including apples, fruit juice, cranberries, cherries, carrots, chicken, and lamb, which are then distributed to families in need through food banks and local organizations.

- CNPP is working with the Department of Health and Human Services on the next scientific update to the *Dietary Guidelines for Americans* (DGA), which provide science-based recommendations to help prevent disease and promote health for people aged 2 years and older. As we develop the 2015 DGA for release at the end of this calendar year, we will examine all recommendations and public comments. The 2015 DGA will be developed within the scope of our statutory mandate to provide "nutrition and dietary information and guidelines . . . based on the preponderance of the scientific and medical knowledge."
- CNPP is working on a number of other initiatives. We are beginning to build the framework for gathering evidence to support dietary guidance for birth to 24 months of age and women who are pregnant or breastfeeding. By 2020, we expect to be able to provide dietary guidance for every American. Our SuperTracker online diet and physical activity assessment tool has over 5.6 million registered users. Our other healthy eating tools, such as MyPlate, are used by parents, educators, and all Americans to improve their diets and their health.
- And although it falls under the jurisdiction of your colleagues on the Education and the Workforce Committee, Members of this Committee may also be interested to know that FNS continues to make progress working together with states and local school districts to implement the Healthy, Hungry-Free Kids Act (HHFKA), ensuring our nation's children receive nutritious meals at school and during the summer months when school is out.

I am pleased with the coordination we have had with you, Mr. Chairman, and Members of this Committee in enacting and implementing the farm bill, which preserved the fundamental structure of nutrition assistance while also making needed improvements. As you know, prompt and robust implementation of the farm bill is a top Departmental priority. Most provisions of Title IV that impact SNAP eligibility and benefits were implemented in the first few months after enactment. We are working energetically, and as quickly as possible, to codify these provisions in our regulations, some of which we completed just this month, and to implement a number of other Title IV provisions, many of which impact our partners in the retail food industry.

I remain committed to integrate science and evidence-based improvements into all of the programs for which I am responsible. Like many of you, I am not a scientist. That is why we work with organizations like the National Academy of Medicine (formerly the Institute of Medicine) and our colleges and universities, who provide us the evidence and analysis we need to make sound policy.

I am further committed to making continued improvements in the integrity of these programs—one of my, and the Department's, most important responsibilities, and one I know we share. As I have testified previously, Americans expect and deserve a government that ensures that the significant public investment in nutrition assistance is managed wisely. We must continue to earn and maintain the public's trust through the proper administration of these programs—for a lack of public confidence could threaten the programs' very survival. We must also debunk the myths about SNAP and other nutrition assistance programs—that they are rife with fraud, or that benefits are going to people who are not eligible. These mischaracterizations of the programs also undermine public trust.

Maintaining payment accuracy is a nationwide commitment between USDA and our state partners and supports President Obama's Executive Order to reduce improper payments. The Department uses a rigorous quality control process to find payment errors in SNAP—which can result from administrative mistakes or intentional violations—and require states to recover over issued benefits and provide under issued benefits. The SNAP national payment accuracy rate for Fiscal Year 2014 was 96.34 percent. Achieving high rates of payment accuracy is the result of years of aggressive work and a nationwide commitment to reduce improper payments and improve administration of SNAP. Since 2000, we have reduced the rate of improper payments by more than ½, and the SNAP error rate is among the lowest in the Federal Government. That said, we are constantly working to do even better. That is the kind of government the American taxpayer deserves.



With regard to trafficking—the sale of SNAP benefits for cash—we are actively investigating and punishing this illegal activity. We use data analytics to track retailers and participants who are potentially defrauding the program. The penalties for trafficking are severe, ranging from permanent program disqualification and monetary fines, to criminal prosecution. Over the last 15 years, FNS has implemented measures to reduce retailer trafficking dramatically, from an estimated four percent down to about 1.3 percent currently. Rules now being finalized at USDA will stiffen penalties so that fines are truly reflective of the harm done—strengthening the disincentive for retailers who may be thinking about trying to make a quick buck off the program. This year, we are on track to increase penalties by 29 percent for violations.

We are also working closely with our state partners to fight SNAP participant fraud. Participants who commit fraud are subject to disqualification and repayment of benefits. In Fiscal Year 2012, states conducted nearly 730,000 investigations, disqualified over 42,000 individuals, and collected over \$72 million in fraud claims from households. And since 1992, the Federal Government has collected more than \$1.3 billion in delinquent SNAP participant claims. But there is still more to do. Those seeking to commit crimes are always seeking new opportunities, so we must continually adapt to these new challenges in order to make sure that public investments are protected. This year, our joint SNAP initiative with Inspector General Fong's team is drawing on our respective offices and the strengths and responsibilities of Federal, state, and local law enforcement partners to identify and prosecute SNAP fraud, and also to prevent it in the first place.

The President's budget builds on existing efforts and provides strategic increases, including funds to strengthen Federal training, oversight, and monitoring of state quality control processes and data, to ensure that states are meeting the highest standards in program administration and payment accuracy. We will continue to confront error and abuse head-on to make sure that benefits go to those who truly need them.

While I have focused my remarks on SNAP and the other nutrition assistance programs authorized under the farm bill, such as TEFAP, FDPIR, and CSFP, a number of our other major programs are authorized under other laws, under the jurisdiction of the Education and the Workforce Committee. I would like to mention them briefly here, since they make up such a large part of the work we do in FNCS. The Child Nutrition Programs, including school meals, child care and after school meals and snacks, and summer meals, give children the nutrition they need to develop and grow and become future leaders of this country. In school, students across the country are experiencing a healthier school environment with balanced meals that reflect nutrition recommendations by pediatricians and other child nutrition experts. The latest data shows that today, over 95 percent of school districts have been certified as meeting the new standards. And the average number of students eating a school breakfast each day has increased by almost 28 percent since 2008, meaning more children are ready each day to learn.

WIC is one of the nation's premier public health nutrition programs. WIC leads to better pregnancy outcomes—fewer infant deaths, fewer premature births, and increased birth weights—and saves money. Every dollar spent on prenatal WIC participation for low-income women on Medicaid saves as much as three times that in health care costs within the first sixty days after birth. And a study by the Centers for Disease Control and Prevention found that rates of obesity among low-income U.S. preschool children have stabilized or improved in a number of states, suggesting that recent changes to the WIC food packages may have contributed to this positive trend.

Thank you again for the opportunity to appear before you today. I look forward to answering any questions you may have.

The CHAIRMAN. Thank you, Mr. Concannon. I appreciate your being here today.

Ms. Tagtow, your agency has done the *Dietary Guidelines* work for 2015. We will have the Secretaries up next month. But I would like to visit with you about just the volume of work, some 29,000 comments received this time *versus* 1,300 last time. And we are told that some of these, or many of those, may have been duplicative, form letters like the ones that Members of Congress get.

Can you walk us through those numbers? How many discrete comments did you get? And did your team, as well as the team at

HHS, go through them in appropriate detail to be reflected in the final output?

Ms. TAGTOW. Absolutely. Thank you, Chairman Conaway, for the question.

As a registered dietitian in public health nutrition, it is absolutely thrilling to see the level of interest in the *Dietary Guidelines*, and really an unprecedented time for the *Dietary Guidelines*.

Just to reflect on the opportunities for public comment, during the 19 months in deliberation of the Dietary Guideline Advisory Committee, the public did have opportunity to provide response to the scientific committee during their deliberations. And then once the Dietary Guidelines Advisory Committee submitted their report, their set of recommendations to both departments, USDA and HHS, earlier this year, there was a subsequent public comment period of an additional 75 days.

As a result of that, we had just over 29,000 comments submitted in response to the *Dietary Guidelines Advisory Committee Scientific Report*. And, yes, you are correct, a majority of them, at least 70 to 75 percent of those public comments, were duplicative in nature. They were either form letters or in the ways of a petition and things.

When we received those public comments through the [www.dietaryguidelines.gov](http://www.dietaryguidelines.gov) website, there was a thorough review by both agencies and a reposting of those public comments. So all of the public comments that were submitted are available at [www.dietaryguidelines.gov](http://www.dietaryguidelines.gov). Very few of them were not posted due to inappropriate language and things like that.

Both agencies are in the process of thoroughly reviewing all of the public comments and taking those into consideration while developing the *2015 Dietary Guidelines for Americans*. And just to emphasize the role of science in this process, Mr. Chairman, we, of course, are very interested in those public comments that are supported by scientific justification, and so those are very helpful in moving forward with our process at hand. Thank you.

The CHAIRMAN. Thank you.

Ms. Rowe, would you discuss with us about the IG's recent report about the need for FNS to strengthen SNAP management controls and the recommendations that were in that report. Where might we see you guys going with those recommendations should we have this hearing this time next year?

Ms. ROWE. I would be happy to answer the question, Mr. Chairman.

We have reviewed all of the OIG's recommendations. There are some that we are still talking to OIG about because as we approach and look at those recommendations we have some disagreement on the findings.

What we are moving forward to do is look very seriously at how states make a determination as to whether an error is, in fact, an error and not an error and what we need to do about that, whether it is something that the OIG has recommended, should there be a Federal review process rather than a state review process, should we have a two-tier process. So there are several issues that we are looking at, and we will have the final agreement on that report in the next 2 weeks.

The CHAIRMAN. I look forward to improvements for next year. As a CPA, we typically give those kind of reports to our clients when we do internal control reviews. I think it would be important for the taxpayers to be able to see, even if you disagree, that there is a rationale for doing it and just don't ignore the report, but actually adopt those that need to be adopted and then take the other actions as you and your team agrees.

With that, Ms. Fudge, for 4 minutes.

Ms. FUDGE. Thank you very much, Mr. Chairman. And thank you all for being here today.

Secretary Concannon, what is your opinion about the use of categorical eligibility and direct certification as options to increase efficiency and to streamline the application process for SNAP? And further, just as a point of clarification, just because someone is eligible, is categorically eligible, does not necessarily mean that they receive SNAP, is that accurate?

Mr. CONCANNON. That is correct on both fronts, particularly that last one. Let me mention that 42 states avail themselves of categorical eligibility status. It simplifies the process for states and reduces the number of errors.

The principal benefit to consumers, as well as to state agencies, is states have the option of disregarding the assets. The household must still meet the income test, but their assets are set aside. And the underlying rationale for that was, particularly during the recession, to not force families to exhaust their household resources while they might be unemployed or going through a difficult period.

But I also should point out that historically—and I reflect on this in my own time as a state director—the area of eligibility determination most fraught with errors or mistakes is when state staff try to assess the value of certain assets. So it has actually contributed to the reduction in payment error rates as a result, but its ultimately benefit is it does simplify the process, it gives us better assurance of, in fact, the eligibility of the person, and it is an option that states have under law.

Ms. FUDGE. Thank you very much.

Administrator Rowe, the Congressional Budget Office has forecast a leveling off of SNAP enrollment and a decline of recipients. Can you just elaborate a bit on that and tell me what you foresee over the next 5 years?

Ms. ROWE. Thank you for the question, Congresswoman.

Yes, we do continue to see and anticipate a continued decline. We have seen somewhat of a decline right now as the economy has improved. We are seeing fewer people coming in to apply, but we are also seeing a reduction of those who are currently on the rolls. It is our anticipation that as the economy continues to improve, we will continue to see a reduction of participation in the SNAP program.

But also as we get our employment and training programs into full gear, identifying job opportunities for individuals to move from the SNAP program into full employment. So we continue to anticipate a decline in the overall enrollment in the SNAP program.

Ms. FUDGE. Thank you.

Under Secretary, I want you to reiterate. I know you said it just briefly in your comments, and I know it is in your written testi-

mony. But I certainly hear an awful lot about we are spending more money and the numbers are not going down and they are never going to go down. I hear things about waste, fraud, and abuse. I want you to address it again for this Committee the small amount of waste, fraud, and abuse in this program, as well as the fact that the numbers actually are going down.

Mr. CONCANNON. To the first question, the numbers are down by two million people from what I call a high water mark. They have gone down at the rate of about a million a year. I think most forecasts we predicted continued to be reduced. And I believe the latest forecast that I have seen shows by 2020 it would be in the high 39+ million individuals across the country.

On the question of the program integrity, meaning, one, are people who apply for the program, in fact, who they say they are and is their income properly reported, are they receiving the proper benefit, we have one of the lowest rates of payment error rates in the Federal Government.

And on the question of fraud, the most serious abuse of the program in my view is trafficking the sale of benefits. We are very focused on that. That is 1.3 percent of the benefits. So a small percentage. But, in fact, when you apply that 1.3 percent, it is a large amount of money. So I don't minimize it in any way. I am very focused on it.

Ms. Rowe and her staff are very much focused on it. And we have been using and increasing not just the undercover people across the country, but data analytics where we look at the transaction amounts and the time of day and where the consumer lives *versus* the store. And as I mentioned, last year we took out 1,400 stores permanently. Those owners are out for a lifetime, a number of them have been prosecuted, but even if they weren't prosecuted they are out of the program for a lifetime.

Ms. FUDGE. Thank you very, very much.

I yield back, Mr. Chairman.

The CHAIRMAN. The gentlelady yields back.

Mr. Crawford, for 4 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Thank you, Mr. Secretary and Administrators for being here.

Ms. Rowe, my district is home to a large swath of the Delta region. And while the Delta is heavily agricultural, paradoxically we have some pretty serious issues as it relates to the low-income population and their access to healthy nutritious foods. I am proud of some of the work we have done on the farm bill that targeted this problem, such as expanding the Farmers' Market Promotion Program, but I want to get a sense as to what your agency does specifically to improve access to nutritious foods in hard hit rural areas like the Delta, and how do you approach the unique challenges that rural areas like the Delta present that are much different from the challenges faced in heavily populated areas?

Ms. ROWE. Thank you for the question.

We have worked very closely with the state agency within the Department of Human Services within the State of Mississippi or in the Delta areas. We have worked with community-based organizations and others that create more access points that get more in-

formation out to individuals on what programs that are available and how they can access those programs.

There have been a number of grant programs, some recently that we will be announcing in the next few weeks which will be focusing on farmers' markets and SNAP participation. We have worked with Rural Development in rural housing developments to expand, for example, access to summer feeding opportunities. We have worked with schools to expand information and access to not only feeding opportunities or where they can go and have access to programs, but also healthy eating, healthy lifestyles, healthy nutrition.

We have worked with farmers and we have expanded our work with farmers. Our regional office recently held meetings in the Delta area with a number of farmers to talk about opportunities for them to work with schools to sell new produce and make produce available to children in our schools.

Mr. CRAWFORD. Thank you. One quick question.

SNAP is a state-administered program but has heavy Federal oversight in how states operate their programs. Can you talk about your relationship with the states, and you mentioned that a little bit in your previous answer, but how that plays out during various times of the year? And how do you resolve differences in state plans or thoughts about what is within the scope of SNAP?

Ms. ROWE. Through our regional offices, we work very closely with our states in planning their SNAP program and reviewing their SNAP program and providing technical assistance. It is a collaborative, cooperative working relationship. We try and make sure that as the state is developing its plans, that we are sharing with them best practices that may exist in other states that could improve both the administration of the program and access to the program.

We continue to provide working sessions. We bring all of the state SNAP directors and others together to do technical assistance and to provide technical support. We do webinars. Our view is to work cooperatively with the state to ensure that we are reaching the largest population increasing participation.

Mr. CRAWFORD. Do you keep a pretty open mind with respect to ideas that emanate from the states on how they can more efficiently administer programs?

Ms. ROWE. Absolutely. The state understands their environment, what it takes in that state to make it work effectively, and we are always open to working with states in trying to achieve those objectives.

Mr. CRAWFORD. Just real quick, can you give me an example of one state that may have jumped out and done something that was maybe a little bit unconventional but that you guys have decided was a good idea?

Mr. CONCANNON. If I might jump in on that, we promote something with state agencies across the country that we refer to as business process reengineering, BPR, where we help pay for that—small consulting groups that come in and try to simplify the process so that they will actually put on a board literally every step of the way when a consumer comes in the front door. And the idea behind it is to cut down on some of the bureaucratic steps that are involved.

We have a program or a budget item that has been authorized, and relatively small by national standards, but it is referred to as a *state exchange*. When a state runs into a problem and we are aware of a state, let's say Colorado or a state up in the Northeast, we can either bring the staff from the state agency in that state to Mississippi or to a state that is struggling with it, or conversely put people on a plane from that state and bring them up and say this is how it is done.

The state exchange is one of the most powerful tools that we have. And states I know appreciate that because often state budgets don't allow people to travel. They may just have a broad prohibition against travel out of state. And we think it is important for them to see this is how it is done effectively.

Mr. CRAWFORD. BPR?

Mr. CONCANNON. Business process reengineering.

Mr. CRAWFORD. I yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. McGovern, for 4 minutes.

Mr. MCGOVERN. Thank you very much.

Let me begin by expressing my gratitude to all of you for what you do and for the millions of people in this country who benefit from the work that you and your agencies do. The programs that you oversee represent the best of this country. And I think that one of the things that was said, you made this point that the number of people on the SNAP rolls is decreasing, but the reality is that there are still a lot of people on SNAP. And a lot of people on SNAP are working people because, quite frankly, they are working and they don't earn a decent wage so they still qualify for government assistance.

But there is a lot of talk in this Committee and in Congress about the need for more flexibility when it comes to SNAP. And I always worry that flexibility is a code word for *block grants*. That would be a terrible mistake and would lead to increasing hunger in this country.

We already have a case study of what block granting SNAP looks like. It is in the Northern Mariana Islands. When Congressman Sablan was a Member of this Committee, he passionately advocated for full SNAP for all of his constituents. And right now we are seeing the shortcomings of block grants. The islands were devastated by a recent typhoon and thousands of residents are in need of food assistance. But with a fixed pot of money, the SNAP block grants simply can't keep up with the demand.

So can you talk a little bit about what we are learning from the situation in the Northern Mariana Islands right now, and what are the limitations of a block grant in cases of natural disasters or other emergency situations, and is this really the kind of flexibility that we ought to be expanding?

Let me just say one final thing. If I have one critique of the program, it is that the benefit is not adequate to meet a family's needs. When I go to food banks at the end of each month, a lot of the people that are in line are families who are on SNAP because their benefit has run out. Granted, the mood in this Congress is not going to expand SNAP. I wish it would. But we have to understand that this benefit is not adequate to meet the nutrition needs

of a family. I yield to you on that and on the issue of block granting.

Mr. CONCANNON. Let me say I agree with you. I think in the food banks, the food pantries, that testimony may have come before the Subcommittee, but food banks across the country, food pantries, my wife volunteers at one at a church here in the District, toward the end of the month the numbers who come in for those suppers go way up because people, whether they are working or on fixed incomes, they run out of money. So that is a fact of life that we are very mindful of.

On the question of block grants, to me, the most powerful evidence about the inadequacy of it at times of real change in the American economy, is what has occurred in the TANF or cash assistance program. For many years, I was a State Health and Human Services Commissioner. For most of those years when it was either called food stamps or later called the SNAP program, in the early years of SNAP about 30 percent of the households who were receiving food stamp benefits were also receiving cash assistance through the TANF program.

Now we have on the current SNAP caseload, the percentage of households receiving cash benefits is in the single digit. It is six or seven percent. Even though we have just gone through from 2008 to 2010 or 2011, you pick your years, the deepest recession since the Great Depression of the last century, and that is what accounts for the fact that even though Congress in 2008 changed the name of the food stamp program to the Supplemental Nutrition Assistance Program purposefully to say it should supplement, it should not be the only source of benefit, some 22 percent of the households now on SNAP have no other source of income whatsoever.

So I have a real worry about the inability of block grants to respond to whether it is a natural disaster or a deep dive in the economy.

The CHAIRMAN. The gentleman's time has expired.

Mr. Thompson, for 4 minutes.

Mr. THOMPSON. Mr. Chairman, thank you. Thanks to all of you for your service.

Ms. Rowe, I wanted to continue to talk about SNAP. As we all know, it is a federally-funded state administered program, meaning the states are responsible for administering, being the boots on the ground basically of the SNAP program. They are the ones down on the ground making the program happen with FNS providing guidance and support.

So my question I have, first one, in your budget request for Fiscal Year 2016 there was a request for 373 employees just for SNAP at the Federal level, in addition to overall nutrition program administration staff of nearly 1,000 employees. Now, the request is more than double the employees from 2013 when the program peaked at 47.6 million. As we just heard, thankfully, the need is coming down. So we should meet that need, no doubt about it, but it is good though when we see that need come down.

And I know within testimony I hear a lot about technology and the recognition that we use technology for efficiency, we need to apply what I consider originated manufacturing, the whole lean approach to greater outcomes, greater productivity, with fewer re-

sources. But this represents more than double the employees from 2013 when the program peaked the demand for it. Back then, there were only 170 employees. Why the significant increase of needed employees for SNAP?

Ms. ROWE. Most of that increase has been in our program integrity area. As the Under Secretary mentioned, we have organized and centralized our retail operations division so that we can be more effective and more efficient. Training of staff, individuals who can go out and we actually do undercover buys. We engage in review of lots more documents. We have expanded the number of documents that storeowners have to provide, particularly those that we identify that may be in high trafficking areas.

So to be able to make sure that we are achieving the goals that we have set, we have set specific goals within our various program areas that we intend to achieve. We need the staff to make sure that we are properly implementing these programs and addressing the taxpayers' issues of trafficking or fraud in our program.

Mr. CONCANNON. Why don't I jump in on that as well. A significant increase as well is the focus on employment and training. As was mentioned earlier, during the downturn in the recession, 40+ states were granted waivers around employment and training. In addition to what the farm bill or the Agricultural Act of 2014 provided to us, when I go out or when we go out to meet with states we urge them to do more on the employment and training side.

And they get two categories of grants from us. They get 100 percent Federal funding, about \$90 million nationally, and then they get several hundred million more. But that several hundred million more that is matched with state funds goes to roughly 10 or 11 states.

There are a handful of states that are very active in employment and training. The other states are not on the playing field so to speak. And so we have been very focused on urging those other states to say, look, there are opportunities in your state to help people. I am very mindful—it has come to my attention in a number of ways over the last year—we have people who have come out of the correctional system. And because they are not bondable or because they committed a felony maybe when they were 19 years of age they have trouble getting into the workforce.

And so we have said to state agencies, you should use some of that employment and training money for folks who are in the SNAP program to say, what else can we do to help you with truck driver training or training in the food industry? Help them actually get into the economy in a constructive way.

Mr. THOMPSON. I see my time has expired, but I certainly agree. I think anything that we can do to take these supports and make it a workforce development program that is a springboard toward greater opportunity for people.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired.

Mr. Scott, for 4 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. I apologize for being late. I had a general in my office from my Air Force base.



I want to follow up on what you just mentioned, only because I have a situation back home I am working right now. A gentleman that was arrested when he was younger. He works full time now, he makes around \$12 an hour, his wife doesn't make quite that much, but they would normally qualify for food stamps. But because of his criminal record, even though he is a deacon in the church now and has no arrest or charges or anything in the last probably 10 years, is being told that he is not eligible, is that for the duration of his life that he would be prohibited from receiving the benefit?

Mr. CONCANNON. I am familiar with the prohibition. And, unfortunately, that goes back to a law that was passed way back by Congress that said if you have a felony drug arrest you are not eligible for the, what was then the food stamp, now SNAP program, unless your state legislature takes an affirmative vote to overcome that.

Now, 23 states across the country, the legislature, for example, Maryland near here and the District of Columbia would be two examples, they have taken votes to say, okay, you are still eligible if you meet the other income eligibility requirements.

But Virginia, next door to us, if you have that same history, you are not eligible. So it depends. It is the state legislature that could pass a law that says we will affirmatively allow persons with prior felony drug arrests to participate. The State of Texas, I am not familiar with the details of it, but the legislature in Texas, just within the last month, has taken steps to allow certain prior felons with drug arrests—

Mr. AUSTIN SCOTT of Georgia. If I may, I just kind of wanted a yes or no, if I could, on that.

But I am from Georgia, and I will look into the state law with regard to that. I assume that they could say if after 5 years you haven't had another arrest or something along those lines then—

Mr. CONCANNON. The state legislature would have to approve it, but they could do that.

Mr. AUSTIN SCOTT of Georgia. So my state is one of ten who received the SNAP pilot and just a couple quick questions on that. How are you working with the states on that, and what is your expectation, and when will we start to hear more about the actual implementation, and are some states further along than others. If you could just speak generally to that issue, I would appreciate it.

Mr. CONCANNON. Yes, indeed. The pilots are, as Congress directed us, are diverse in terms of they are from different parts of the country. Some are work attachment right away. Some are more fuller assessments. Some are mandatory. Some are voluntarily. So there are a variety of strategies and approaches. We have hired through competitive process the top policy groups, research groups, in the country on outcomes, because at the end of the day, all of us, you want to know, we want to know, what works best. We are working with those states right now as they are gearing up to get their program set up. We expect by November, all ten of the projects will be established, and they will, because it is a, it requires a control group as well an experimental group. I mean, it is going to be the strongest science, and the full-scale implementa-

tion of it starts in the spring. We are very much in dialogue and contact with the states.

Now, apart from the pilot projects, states like Georgia can be doing even more in the traditional employment training program, and that is where I urge them to say you can talk to, like, Goodwill Industries. You can talk to Lutheran Services if it is in your area. The food banks themselves are doing a lot of training. I was at one in Albuquerque where they are training people for long distance truck driving because there is a shortage of truck drivers in that part of the country.

So you don't even have to wait for the full stepping on the gas of those ten projects. You can do more, and we are more than happy to work with states. We keep bringing this up to them to say do more on the training E&T, or the employment and training side.

Mr. AUSTIN SCOTT of Georgia. Thank you all for your service. I think the key is finding that balance and access and integrity in this program as in any of the programs that we have. And with that, Mr. Chairman, I will yield the remaining 46 seconds that I don't have.

The CHAIRMAN. The gentleman's time has already expired. Mr. Yoho has graciously allowed Mrs. Walorski to go next, so Mrs. Walorski is recognized for 4 minutes, Chairwoman of the Subcommittee on Nutrition.

Mrs. WALORSKI. Thank you, Mr. Chairman. Thank you, Representative Yoho. Administrator Rowe, I so much appreciate all of you being here, and I am the Chairwoman of the Subcommittee, and we have looked at past, present and future when it comes to SNAP. We have talked about the economic ladder and really assisting people climbing up into this economic ladder, and we need to be clear, though, just one little item of interest here. When we talk about SNAP, and we talk about the decrease, we also have to remember that since 2009, or you alluded to before, 2008, 2009 with the recession and the stimulus policy changes, that is where the 81 percent increase in SNAP came from.

So while we are looking at a decrease of single digits, we are talking about an increase of 81 percent, and I just want to make sure we are all talking about the same thing here. I believe we can be good stewards of the American taxpayer money. I really do. And we can assist people climbing up an economic ladder. And with that, Administrator Rowe, I am concerned that we are looking at 17 programs, 14 in one area, and the other in the areas of aging, three other programs. What is the USDA doing to address duplication and duplicative efforts on all those programs together?

Ms. ROWE. Well, we spend a great deal of time at the beginning of every fiscal year taking a look and strategically planning what our priorities are going to be and how those programs are going to work together, and whether we are going to target certain programs in certain areas or how we are going to increase participation in programs in certain states, as the Under Secretary has talked about, the employment and training initiative. So the way in which we manage is through a strategic planning process. That process allows us to identify our goals, our priorities, the tasks and

steps that we need to undertake to achieve those goals and priorities.

We have a major dashboard that is available in each one of our priority areas that we report on every month, so we are looking and we are constantly looking at how well we are integrating the programs from one particular area with the needs in another.

Mrs. WALORSKI. I have a further question there. So does FNS look at data points? For example, we are looking at kind of like a holistic look at people. Does FNS have the ability to track well-being, economic security, as the recipients go through the program, or are you just simply tracking numbers served?

Ms. ROWE. We are talking both. We are tracking well-being. Through much of the research in our operations and policy division; we look at changes in behavior; we are looking at increased access as well as nutrition changes in people's behavior. So we look on both sides of the question, how well we are administering the program, and is it making a difference? Are we moving the dial as it relates to people's well-being?

Mrs. WALORSKI. Okay. I appreciate that. My final question is this: We work with a lot of outside agencies as you do as well with these international feeding programs like Feed the Children. One of the things we had chatted with them about is they were telling us about their outcome measures that they use in every country around the world. My question is, the data points that we just talked about, helps better discern what approaches work and don't work. It certainly would help us in Congress, as we have the role of oversight, in understanding are people really making it, or are we just rolling numbers and filling slots on those numbers. It gives us a better picture of oversight. Does FNS have that similar kind of outcome measures, and I guess if not, why not—and they are certainly a standard.

Ms. ROWE. As a matter of fact, I am very familiar with what Feed the Children is doing. We have had earlier conversations with them about how successful their approach has been. We do have outcome measures. We continue to get better at defining what we are looking for, what we want to measure, and what outcomes we are looking at. We can provide you with an overview of how we go about measuring that—

Mrs. WALORSKI. I appreciate that.

Ms. ROWE.—and looking at the outcomes in all of our programs.

Mrs. WALORSKI. That would be great. Thanks. I yield back, Mr. Chairman.

The CHAIRMAN. Mr. Yoho, 4 minutes.

Mr. YOH0. Thank you, Mr. Chairman. And, panel, I appreciate you being here. You took my question. That was great. You did. You got me the answer I was looking for about the 81 percent increase and the slow dropdown. What do you think accounts for that? Is it the quality of jobs out in the marketplace that people just aren't getting enough high paying jobs? I know everybody wants to raise the minimum wage, but in some industries, you can't raise the minimum wage to that level to get them off of this. We need quality jobs to come back here, and that addresses the bigger picture about Tax Codes and things like that, incentives for manufacturers to come back.

Mr. CONCANNON. Just the increase, which was significant, about  $\frac{2}{3}$ , the way we generally characterize it,  $\frac{2}{3}$  of it was directly attributable to what was going on in the economy; and about  $\frac{1}{3}$  of it was associated with states simplifying the process, places like California, where if you move from one county to another, you had to reapply all over again. It was like moving from one state to another. So we got rid of some of those barriers in that regard. That accounts for about  $\frac{1}{3}$ . Two-thirds are really, to your point and your question, associated with the jobs.

I mentioned that in my testimony, that, again, my own experience that for all those years, we have a 50 percent increase right now, from 20+ percent of the households in the food stamp era that had earnings, to now over 30 percent that involves over 42 percent of the recipients. So we have a much higher rate of people with earnings. You say how can this be, then, that we still have them on the program? It is that they are either part-time jobs, or they are in the lowest quartile. They are very poorly paid.

And it is a challenge. That is part of our effort in employment and training to say what can we do to help position people so they can move up in the workforce? I remember this from my state days, the old dictum that he or she who has a job is more likely to be the person to get a job. So how can we help people move up?

Mr. YOHO. I think that is one of the big concerns, and one of our goals is to get people in, up and out. Secretary Concannon, you had talked about the waste, fraud, and abuse was mainly in the trafficking of EBT cards, if I understood you correctly?

Mr. CONCANNON. It is partly, it is multiple use of EBT cards. And mainly what I was talking about was trafficking, that is when I sell my card.

Mr. YOHO. I bring this up because we had USAID in here, and they were talking about the 2.5 million Syrian refugees getting EBT cards. Through USAID, they said that right here.

Mr. CONCANNON. They might through USAID. They can't get EBT cards.

Mr. YOHO. I would like to talk to you about that, but the point is, they said what they were doing was biometrics where they had a picture ID on there and some other form of biometrics, and it really cut that down as far as the illegal use of them. In this country, I asked him if he could elaborate if that would be a good thing here. Would that prevent the trafficking of cards, if there was a picture ID on them or somebody had to show a picture ID to use those or it was tied to some kind of—

Mr. CONCANNON. Unfortunately it wouldn't, because it takes two to tango, as I described it; and these are fraudulent store owners who then would, they are indifferent to whether your picture is on the card. They know perfectly well if they are trafficking in cards. They don't care who owned the card.

Mr. YOHO. I am glad to hear you say that when you catch them, they are out permanently.

Mr. CONCANNON. For a lifetime.

Mr. YOHO. That is something that we need to advertise, and I commend you for doing that. With that, Mr. Chairman, I yield back. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. Allen, for 4 minutes.

Mr. ALLEN. Thank you, Mr. Chairman, and thank you panel, and just to elaborate on my fellow Georgian, Congressman Scott's question, to make sure I understood this correctly, on the E&T training, getting these people into the workforce, because everywhere I go in my district, and I know we are blessed in our district, but there are a lot of jobs available. Of course, they require skills. As I understand it, you said the states can ramp up this program on their own?

Mr. CONCANNON. Yes, they can. Again, there are two, this is the traditional, what I call the core employment and training program. States across the country receive \$90 million and 100 percent state money. If I recall now, and I will have to confirm this, but I believe the State of Georgia received about \$3 million, or \$3.5 million, and 100 percent Federal money on E&T. But then over and above that, they can go to Goodwill Industries—I often point them in that direction—or Lutheran Services, Catholic Charities, the agencies in the area, and to the extent, it can't be—volunteer time can't be appropriated, but if they have paid staff time that is being used to train staff recipients, that—50 percent of that can be matched.

And I have seen examples of it. I mentioned the example in the Albuquerque food bank that I was at probably 8 weeks ago, where they are training long distance truck drivers because that is the shortage in the State of New Mexico.

Mr. ALLEN. We have the same thing. The state administrators have been made aware of the fact that they can ramp this thing up.

Mr. CONCANNON. Every time I meet with them, I pitch that to say there is an opportunity for you.

Mr. ALLEN. Good. Great. Ms. Tagtow, I guess this is for the benefit of my wife, but she is a nutrition animal or whatever; but she really knows a lot about it. She would love to advise folks on what they buy in a grocery store. I think she would volunteer her time to do that, to be honest with you, because she is so adamant about what you eat is what you are. And she sees a lot of abuse from the SNAP program as far as that is concerned. Folks don't know exactly what to buy, and she just thinks that with some advice, that they could not only get the necessary food they need, but they could eat very nutritiously which would then cut down on thing like Type 2 diabetes and things like that which is an epidemic in Georgia. Any comments on that?

Ms. TAGTOW. I will start, and then I will refer it back to the Under Secretary. Excellent question. One of the charges of the Center for Nutrition Policy and Promotion, first and foremost, is to promote the *Dietary Guidelines for Americans*. And what we are seeing is that the average quality of diet, and the Under Secretary's earlier remarks about the healthy eating index, we actually measure the average diet quality of Americans; and any guesses as to what our average intake index is? It is 57 on a scale of 1 to 100.

Mr. ALLEN. How would you relate that into average calories per day?

Ms. TAGTOW. What I was going to say is, we know the research does provide us with sufficient evidence that if we can start shift-

ing people to healthier diets, to a diet that is more closely aligned to the *Dietary Guidelines*, we can significantly reduce the relative risk of developing diet-related chronic diseases in this country. So that is the answer to the first question.

As far as educating and informing and better supporting nutrition attitude, knowledge, and behavior of SNAP participants, I am going to shift that over to the Under Secretary.

Mr. ALLEN. I am out of time, so one of my colleagues may be able to address that question as well. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields. Mr. Kelly, for 4 minutes.

Mr. KELLY. Mr. Secretary, if you would address that briefly, and then let me get to my questions, please.

Mr. CONCANNON. Thank you very much, both Members. We have a major opportunity in that regard called SNAP Ed, or it is nutrition education. To the Member's comments, we are in the middle of a crisis in this country in terms of public health with the problems of obesity; and it translates into work opportunities, or a lack thereof, health care costs, quality of life. So we are very focused on that, and we promote something called MyPlate, not only in schools, but in food banks, in the farmers' markets where we are encouraging them, but we have also let, in the last year, a contract with the Duke University and UNC Chapel Hill to use the research of behavioral economists. We have a lot of nutritionists with us. We have tremendous nutrition capacity and potency. We know a lot less about what actually motivates somebody to reach for a certain product in the store.

So we are very focused on saying what else can we learn that actually influences people to more consistently buy healthier foods? Some of it obviously relates to where you live. I live in the D.C. area out in the Maryland suburbs where there are a lot of supermarkets around me, but on the other side of the Anacostia River here, there is probably one supermarket. So where you live makes a difference, rural or urban; but we need to do a better job, and we are focused on trying to say what else can we do to educate people. And we are hopeful that what we are doing in schools, and in Georgia by the way—I was just in Savannah—is doing great work in the schools to promote healthier eating. And my hope and expectation is these school students as they grow up into adulthood, will have been socialized to eat healthier, and that is one of the best things we can do.

Mr. KELLY. Thank you, again, Mr. Chairman, and panel for being here. My question is, I understand that it is just not—I know there is a lot of fraud, or there is some fraud that goes on. And like many things in life, the few punish not only the end-user, but they punish your department, and they punish us all because of what a few do. That being said, I understand that. What initiatives are you doing or working with the states to make sure that we reduce the amount of fraud and that we continue to focus on that so that those few don't disparage all of us by the way that they act?

Mr. CONCANNON. Exactly. I appreciate the question. As I mentioned earlier, to me the most serious—first of all, states and counties where they administer it, pay special attention on the front end. So the USAID reference that was made here, that just isn't the case. You have to be a U.S. citizen and you have to prove it

in a variety of ways. We don't have anything near that in terms of fake people showing up and getting SNAP benefits. My concern is on the other end. Once they get the card, we have this 1.3 percent of trafficking. It takes as I say, two to tango. These are stores, mostly small stores, rarely, rarely a supermarket. These are small stores.

Thankfully in the farm bill that you passed, you gave us more authority to increase the requirement on those small stores in terms of their food variety, because I am hopeful that it will result in fewer of those stores that have the ads of liquor, cigarettes, and something else. That is where our problems come in so many cases.

One, we are very focused on data analytics. We have undercover people, but we catch most of those stores by looking at redemption data electronically. We are much more astute that way. We also have hired a consulting group, Accenture. We have sent them around to states to say we took out these stores last year. Now we want you to analyze the actual redemption data to see what are some of the associations. One of the associations we found, for example, in the first state we went to was multiple cards. If I am in a household and I keep calling the state saying I have lost my card, our alert goes up to say wait a minute, what is going on here?

Another would be redemption amounts late at night in round figures. I don't want to say too many of the variables and tip people off, but there are ways to identify, we are redeploying, as Audrey Rowe mentioned, redeploying our people into the high-risk places in the country. As I mentioned, the chair picked up as well, when you traffick, sell benefits, you as a store or a store owner, you are out for a lifetime.

Mr. KELLY. Thank you, Mr. Chairman. I yield back the balance of my time that I don't have.

The CHAIRMAN. The gentleman's time has expired. Mr. Abraham, for 4 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman. Let's continue, Under Secretary, on this fraud issue because we all are in districts that have more people on the program than I am sure they desire or we desire, because of this poor economy that we have had for the last few years is driving that. The 1.3 percentage, convert that on the fraud issue. Convert that into dollar amounts for me.

Mr. CONCANNON. That is 1.3 of about \$75 billion, so it is close to \$1 billion a year.

Mr. ABRAHAM. Wow. Walk me through on this exchange or this fraud issue, if somebody obtained a card fraudulently, and they take it to one of the stores that you just referenced, the under-the-radar-type store, can they present that card and buy something of low value and get the cash back? How does the fraud issue, how do they take that card and fraudulently use it?

Mr. CONCANNON. Typically what happens, we refer to it as trafficking. In other words, let's say I had \$100 benefit on this card. I go to the store and either I tell the store owner that I have \$100 on this card. If you will give me \$50 in cash, I will give you my card, or you can run the card as though I bought \$100 in food here. That is referred to as trafficking. That never literally does not happen  $\frac{2}{10}$  of 1 percent times in supermarkets. There is too much at risk. It happens in more than 96 or 97 percent of the cases in small

stores. It is a minority of those small stores, but that is where we go after them.

And I have been meeting with states to say we are taking stores out, that I referenced it earlier, 1,400 stores permanently out last year, over 10,000 stores in the last 10 years permanently out of the program. I have said to states, when we take a store out, you need to go back through the redemption history in that store for the previous 6 months. Now, not everybody who redeemed benefits there is trafficking, but you need to look at that in order to get the other side of the equation here.

Mr. ABRAHAM. Thank you. Let me switch gears just a little bit. I will stay with you, Mr. Secretary, or anybody. I, in my district, as I am sure everybody has these farmers' markets. You guys have made it possible for them to benefit the SNAP customer, but most of them are hooked up wireless. They are paying a pretty good premium to play the game, so to speak. And I know in the farm bill with the FINI there was money dedicated to breach that technology gap. What is going on today? What are you guys doing to facilitate that, make it better, make it so these farmers' markets can work efficiently?

Mr. CONCANNON. We are very committed to that. I just met with the National Association of Farmers Markets when I was down in Savannah, Georgia here, just within the last week at their national meeting. As I mentioned in my testimony, we are up to 6,400 farmers' markets, direct marketing farmers. We still have a ways to go. On record, there are like 8,300 or 8,400 farmers' markets across the country. We have been working with them to keep up with technology. We provided the technology devices to close to 2,000 of those markets, but there is also, as you know, a monthly charge, processing fees.

So we are very much engaged with them to say are there less expensive ways to meet that processing charge for the farmers' markets, and we have simplified the application process for them. When we first started here 6 years, 7 years ago, farmers' markets had to fill in the same application as a supermarket; and they are a lot less formal.

These are growers, farmers. They don't have the time for that. We simplified that. So we are very committed to it because it speaks to an earlier question. We believe farmers' markets are a way to nudge people into healthier eating, but also keeps those dollars in the local economy. That is important to us.

Mr. ABRAHAM. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mrs. Hartzler, for 4 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman, as a former nutrition teacher, I really appreciate the *Dietary Guidelines* that you all come out with and have for years. It started off as the basic four group. I am showing my age, basic four, and then we went to the food pyramid, and now MyPlate; and so I am interested, certainly, in seeing what you are going to come up with here pretty soon for us moving forward.

I was concerned, though, with when the advisory committee came out with their recommendations. I have a copy of that report here. I can hardly pick it up; it is so heavy because it is far larger



than in the past. One of the main reasons for that is that it seems like, to me, it goes far beyond just your basic scientific nutrition recommendations of what should be in the diet, and it is still called *Dietary Guidelines*.

So as you know, I authored and headed up a letter that 70 of my colleagues signed on to expressing our concerns with some of these things that goes beyond such as including sustainability recommendations and physical activity behavior change, and food environment and environmental impact, and making recommendations on what we eat based on environmental impact and things rather than sound science and what really should go into our bodies as far as nutrition.

And so I am looking forward to meeting with Secretary Vilsack next month and visiting with him. I did appreciate his letter back saying that he believes as far as what you are going to come out with, it is going to stay and color within the lines. So I appreciate that. I appreciate your being responsive to our concerns.

But, Director Tagtow, I see that you are a dietitian, so you seem like a perfect person to help lead this effort. I was just wondering with these concerns, what steps will the USDA take during the selection process of the next Dietary Guidelines Advisory Committee member selection process to ensure that the next advisory committee will stick to their Congressional charter and focus solely on providing useful health and nutritional information to all Americans?

Ms. TAGTOW. Thank you, Congresswoman Hartzler. Excellent questions. Thank you for your letter expressing your concerns as well. I first want to make very clear that the Dietary Guideline Advisory Committee is an independent entity overseen by FACA, Federal Advisory Committee Act, and they provided simply recommendations to both HHS and USDA. And we are taking those recommendations into consideration along with the wide array of public comments that we received, as well as agency comments as well. And so looking forward, I don't want to speculate as to the procedures for 2020; but, again, just emphasizing that they provided a very independent, science-based review of the evidence and provided recommendations back to both agencies for consideration in developing the *2015 Dietary Guidelines*.

Mrs. HARTZLER. As it relates to the law that you referenced which establishes the committee, do you see any need for ways that we could help in changing the law to help it make sure that the people on the advisory committee in the future give a report that is just strictly dealing with nutrition?

Ms. TAGTOW. I might defer that to the Under Secretary. As far as changing the law, perhaps not. The use of a Federal advisory committee is not determined by the law. The law doesn't dictate that we actually use an independent body to provide a thorough review of the scientific evidence and provide recommendations back to both agencies. The law does specifically state that what we develop, what the two agencies put forth, is based on the preponderance of the current scientific and medical knowledge. It is released within 5 years. It addresses food-based recommendations for ages 2 and above, and we need to do it every 5 years.

Mrs. HARTZLER. Thank you very much.

The CHAIRMAN. The gentlelady's time has expired, and I now recognize the gentleman who I skipped twice rudely. I apologize to you. You can ask for 5 minutes if you want it.

Mr. ASHFORD. Thank you, Mr. Chairman. I am speechless actually. I just wanted to follow up on what Representative Hartzler was talking about. If there is one issue I hear about in Omaha from our schools, we have one entity that provides all of the school meals for one public high school and all of the parochial schools; and then we have a few others that provide the meals to the other public schools, so it is not a massively large group of providers.

And essentially, what the refrain is, and I am sorry if I am repeating myself, or repeating what others have said, but the refrain really is we are concerned that the young people simply won't eat what we are giving them, and that is a real concern, and this is given to me by people I know that have been doing this for 25, 30 years. And nutrition is their concern. They are nutritionists. They just want the kids to be able to get a meal that they can eat or will eat. I am sure you have answered this, but would you mind just, Under Secretary?

Mr. CONCANNON. I am happy to receive the question. As I mentioned in my testimony, when I travel out to states, I always try to go to a school. I just did down in Savannah within the last 10 days. And I do so because it is the best part of the job, but also to see how kids are doing and to talk to teachers. There are real challenges in the meal pattern because remember, it is the first time there are menu changes, science-based, in more than almost 2 decades, so it represented a big change; and I don't, in any way, underestimate the challenge it is, and particularly so for children coming into the school system, especially older kids. High school kids, in the best of times, may be challenging around diet.

But we have been working consistently with schools to say what else can we do to help you? Ninety-five percent of American schools are meeting these new standards. We are not satisfied with that in this sense. We know that it is a challenge for school food service personnel, so we have a number of programs. One we have something called Team Up, where we worked with the University of Mississippi with their resource staff, but we brought school systems together with those schools that are successfully implementing, pair them up with a similarly-sized school where they are struggling to say this is what we are doing to make sure that the kids are consuming those foods, because having a healthy menu is only part of it. We want to make sure it is consumed.

The second area that we are working on is we have a group up at Cornell University in New York, in Ithaca, that is working on what they call the Healthy Lunchroom and where they recommend to schools, they are in about 30,000 schools across the U.S. It is free to the school or to the school system. They have a whole set of ideas, low-cost ideas, that can result in students more likely consuming the food. As an example, with younger children, one of my favorite aspects, and I have seen it all over the country, they add an adjective or a noun. So they will say championship carrots, X-ray vision carrots. They add words, and young kids see that and they think, man, this is for me.

Mr. ASHFORD. That might help me to eat carrots, I don't know.

Mr. CONCANNON. But the idea to use behavioral economics, where they place the salad bar, or for high schools, how they design the cafeteria to make it look more like a restaurant that kids would look for.

Mr. ASHFORD. Thank you, and I would like to loop some of our people into your team because to the points that have been made, your point, these are very good people that are doing it; they are nutritionists, they get it. I think they are more concerned about the consumption part and the kids not having enough.

Mr. CONCANNON. We will definitely follow-up with Omaha, you mentioned.

Mr. ASHFORD. Definitely. The other point, and I made it to the last panel, but just to focus on it again, our SNAP authorized farmers, we have a lot of farmers in Nebraska still, and our SNAP authorized farmer numbers have gone from 750 to 6,400 to do from farm to market. It is an exceptional program. I have been listening today about the farm bill, and I wasn't here obviously when it was passed; but it sounds like a remarkable piece of work by this Committee and the Congress, the Chairman and the Department to really do some amazing things. The pilot projects, there are ten of them or 12 of them.

Mr. CONCANNON. Yes. Farmers' markets. FINI grants, the grants that are out there to really encourage more, to facilitate more use of farmers' markets, doubling up bucks. I was up in Rochester, New York, recently, and they have a farmers' markets that has been around since 1904. It is a large farmers' market, 300 stalls on a weekend; but they do almost \$900,000 a year in SNAP benefits there. I always look at the price of the food—

Mr. ASHFORD. I am over my time, but I thank you for your work, and obviously for this Committee in getting the farm bill where it is, so thank you.

Mr. CONCANNON. It was a great bill.

The CHAIRMAN. The gentleman's time has expired. Mr. Davis, for 4 minutes.

Mr. DAVIS. Thank you, Mr. Chairman. Sorry I am late. Just arrived at the airport and had the chance to come down here and get the tail end of the discussion on the school nutrition program. This is an issue that Secretary Vilsack has sat in your seat numerous times, and I have brought it up. I have some concerns with the re-authorization process, with the sodium level requirements, and with the sheer fact that many of my constituents who attend school are not even a part of the school nutrition program any longer because some of the rural school districts in my district in central Illinois have pulled out because what used to be a profitable part of their portfolio is now costing them upwards, as in the case of Monticello, Illinois, upwards of \$100,000 a year because kids that can pay are not eating food.

So it was interesting to hear you talk about the placements of salad bars, other tips and procedures; but the sheer fact is we have a lot more plate waste. You have less kids, in my district—you may shake your head, but in my district, I am hearing from superintendents that the plate waste is going up. I am hearing that less kids are eating the school lunch, and that there is a concern as we see new requirements go forth, that we are going to see more

school districts, especially in areas like mine, pull out; and I don't want to see that. And can you, and I don't mean to make you repeat yourself, but can you let me know some tips of what we can do to help?

Mr. CONCANNON. Yes, indeed, and I appreciate the candor in your question frankly. We are never happy to hear that schools have dropped out of the program because it is, by intent, for all American students, the numbers of noontime lunch participants in the School Lunch Program went down by 1,300,000. It has stabilized now. At the same time it was going down, the numbers of students participating in the National Breakfast Program went from 10.3 million to 14 million. So we are actually serving more meals to kids right now across the United States. I recognize that some systems had challenges with it, so that as I mentioned earlier, we have a great partnership with the University of Mississippi.

Senator Cochran, championed the development of a center down there that really matches schools across the country that are struggling to say, okay, let us match you up with a school that has similar demographics, because it probably is going to be very useful to match the Dallas independent school district with a rural school district in another state. We are more than happy to provide that kind of technical assistance.

Actually I am confident that we are going to see additional growth this year in the meals participation. The significant reduction was lost mostly in that paid meal category, and part of that was everybody I work with, every school nutritionist, has said in their schools in the past, whenever they would raise the price on the paid meal, they would lose participation. And by the way, the National School Lunch Meals Program was losing participation going back to 2008. So it didn't just start with the new meals pattern.

Mr. DAVIS. Well, I can only address this as somebody who has listened to many superintendents in my district and as a parent who coaches football, and I have heard kids talk about how they are hungry when they leave school and they are coming to practice.

So I guess my request to you is the same request I offer to Secretary Vilsack every time he is here. Come talk to my district. Come talk to the folks who are telling me that this is a problem in their school districts. Secretary Vilsack was in Champaign, Illinois, just I believe last week; and that is an area that is a center point of most of the concerns with my superintendents. I wish we could have had a chance to get him in front of those superintendents, and I would ask that you do that for him at some point, and I would love to work with you to make that happen.

Mr. CONCANNON. I will personally, or I will make sure our Chicago office, but I will try to personally go up there to meet with them as well.

Mr. DAVIS. I know my time has expired, but your Chicago office and your regional office has participated in a round table with me, but I want somebody from D.C. to come out and hear from my constituents. So with that, thank you, Chairman. My time is expired.

The CHAIRMAN. The gentleman's time has expired. Everybody's talked. Thank you, Under Secretary and Ms. Rowe and Ms.

Tagtow. I appreciate it. I recognize it takes a significant amount of time for you to be here. Just a couple of points. I am encouraged greatly about your comments about data mining and the emphasis there. I am familiar with a program that we have at Charleston State University that does a great deal of data mining, and just looking for out of ordinary conduct that doesn't make any sense. So reliance on that will improve the system as well.

A  $\frac{1}{10}$  of a percent improvement in the error rate is \$75 million, and so it is a meaningful number. You talked about one of your training programs in which you had about \$45 million that you used to help training, a  $\frac{1}{10}$  of percent improvement in the error rate, so it is a big deal; and I know you have committed to it and I appreciate that.

I want to offer up for the record my thanks to Secretary Vilsack and his efforts at putting all this together the last 2 days. It didn't happen just by accident. The Under Secretaries and Administrators and Chiefs across the system pitched in and made this work. The staff sitting behind you and all the other staff that were here all yesterday and today sitting behind their bosses made that happen. My team is here as well, and I want to make sure they know how much I appreciate them doing all they did. This is a historic 2 days, quite frankly, to have every one of those Department agencies come up here and pitch their wares and make themselves available for criticism or comments or bragging, or whatever it was, our team is better educated today as a result of your efforts over the last few days. We will figure out ways to maybe not necessarily do everybody all in the 2 days, but nevertheless to replicate this kind of process where Members, new and old, have a chance to visit with Administrators and the leadership of these organizations other than Secretary Vilsack.

I suspect he will appreciate sharing the Congressional load of it as well. We are better off as a result of all of the testimony from all of the program areas, and let me just officially thank you so very, very much for making that happen, and everybody behind you who really made it happen and all my team who really, really made it happen, so thank you all very much.

I also thank the membership. I did not anticipate the participation we would have. I know it is a little thin right now, but we have had great participation. Yesterday was a day in which most folks would have been back home working the district or mowing the lawn as Rodney was doing. So it is a good exercise.

Under the rules of the Committee, today's hearing will remain open for 10 calendar days to receive additional material, supplementary written responses from witnesses to any questions posed by a Member. This hearing on the Committee of Agriculture is now adjourned. Thank you.

[Whereupon, at 2:43 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]



## SUBMITTED QUESTIONS

**Response from Hon. Lisa Mensah, Under Secretary, Rural Development, U.S. Department of Agriculture**

*Question Submitted by Hon. Eric A. "Rick" Crawford, a Representative in Congress from Arkansas*

*Question.* There has been long standing bipartisan support for a government role in expanding broadband services to rural America. Such access is essential to educating our young and for participating in a 21st century economy, but I am concerned with the slow pace of progress towards that goal. Last year, Congress authorized \$690 million for the Rural Utilities Service (RUS) to bring broadband services to rural America, yet only about a third of that amount was loaned out. Despite these shared goals, it is my understanding that RUS continues to place unrealistic barriers before applicants—in some cases the barriers erected seem to contradict both the law and your own regulations. For example, I have heard from an Arkansas phone company, Walnut Hill, which operates in one of the poorest rural areas of the country, the Mississippi Delta. They tell me that RUS has indicated that it will not refinance existing phone company debt even if it is needed in order for a construction loan to move forward. Yet the law and your own regulations indicate that such refinancing is permitted when it is "incidental and necessary" to furnishing broadband services. I would appreciate your looking into this application and seeing if this can be resolved.

*Answer.* RUS continues to support the mission of providing new and improved telecommunications services in rural areas. In fiscal year (FY) 2015, RUS obligated approximately ⅓ of the \$690 million in funding appropriated for this purpose. One reason for this low obligation level is that there has been low, but steadily increasing, demand for the RUS Broadband loans since 2011.

In meeting the mission of providing new and improved telecommunications services in rural areas, RUS must ensure that loans are being made in conformance with the statute and regulations. With regard to the Walnut Hill example, the applicant requested funding to support refinancing outstanding debt from another lender.

Under existing regulations and in accordance with statute, RUS may consider refinancing outstanding loans, but only if those loans were for something RUS could have originally financed such as construction of telecommunications or broadband facilities. In this case, the debt that they were asking RUS to refinance was originally held by the parent company, Townes Telecommunications. RUS cannot refinance debt of other entities. The application did not provide evidence that any of this debt was associated with construction improvements at Walnut Hill. As such the debt was ineligible for refinancing. RUS has continued to express our willingness to consider a loan for system improvements, subject to agreement by the other lender to share a lien with RUS for loan security purposes.

**Response from Hon. Edward M. Avalos, Under Secretary, Marketing and Regulatory Programs, U.S. Department of Agriculture**

*Question Submitted by Hon. Bob Goodlatte, a Representative in Congress from Virginia*

*Question.* Avian Flu: I appreciate all the hard work your agency has done with its HPAI emergency response. While I know there were some hiccups in preparations, I know you've all worked hard to improve. What lessons have you learned in this response that will assist us if we see further outbreaks this fall? Are we prepared to deal with another large outbreak of the magnitude that we saw last spring?

*Answer.*

**Response from Anne L. Alonzo, J.D., Administrator, Agricultural Marketing Service, U.S. Department of Agriculture**

*Question Submitted by Hon. David Rouzer, a Representative in Congress from North Carolina*

*Question.* Administrator Anne Alonzo, I have heard from growers in my district that there are inconsistencies with policies at the Tobacco Administrative Grading Service (TAGS). Can you please provide an analysis of how TAGS sets the price and details on how TAGS ensures that USDA standards are being strictly applied?

*Answer.* Tobacco Administrative Grading Services (TAGS) is a private entity created by the Burley Tobacco Growers Cooperative Association and a third party consultant organization, AgWin, with input from USDA's Risk Management Agency (RMA) and Agricultural Marketing Services (AMS). TAGS provides administrative services by collecting and notifying AMS electronically of producers' name, farm number, number of bales, location, weight, grading confirmation number, and re-

quest of scheduled date of grading service. AMS tobacco grades are used for quality loss adjustment for the tobacco crop insurance program. TAGS itself does not set prices for tobacco crop insurance, nor is it involved in the process of making quality adjustments or payments to the producers through the RMA crop insurance program. AMS does not have an agreement with TAGS. The Agency has a business/billing agreement with the Burley Tobacco Growers Cooperative Association. This is not covered in the Tobacco Inspection Act.

AMS is solely responsible for grading tobacco, and these AMS tobacco grades are the only grades that can be used for the crop insurance program. AMS acts as an independent third-party. In doing so, AMS uses USDA certified tobacco graders to ensure that tobacco standards are applied properly, consistently, and in accordance with USDA Official Grade Standards (published at 7 CFR Part 29). AMS has no authority over the operations, policies, or pricing of TAGS itself, nor does AMS have authority over RMA's crop insurance program, the determination of quality loss adjustments, or payments made to tobacco producers or their representatives. For its services, AMS charges user fees based on the total volume of tobacco submitted. After grading the tobacco, AMS provides the grades to RMA electronically who in turn provides them to the crop insurance companies for their respective policies.

AMS is committed to ensuring that tobacco grades are applied fairly and uniformly across the program. Tobacco grading operations are managed by AMS personnel without any input from outside entities. AMS personnel utilize USDA grade standards to assess the quality of the tobacco and provide supervision of the services requested. Random samples are collected periodically and stored in a secured storage unit at the AMS facility in Raleigh, North Carolina. These samples are examined by AMS supervisors for accuracy, which contributes toward each tobacco grader's performance appraisal. In addition, supervisors make random visits to grading locations during heavy grading periods to observe procedures, provide guidance, and ensure quality determinations.

**Response from Kevin Shea, Administrator, Animal and Plant Health Inspection Service, U.S. Department of Agriculture**

*Questions Submitted by Hon. David Rouzer, a Representative in Congress from North Carolina*

*Question 1.* Administrator Kevin Shea, the challenges that APHIS has faced in controlling this devastating outbreak of High Pathogenic Avian Influenza is alarming to our animal agriculture industry. Is APHIS prepared to deal with an even more devastating outbreak of a disease such as foot-and-mouth disease (FMD) that affects multiple species? Can you assure this Committee that you have the resources and tools necessary to control an outbreak of FMD?

*Answer.* Safeguarding against significant animal diseases, including FMD, is vital to protecting industry, producers, and consumers. It remains a top priority for APHIS and USDA, and we have rigorous emergency procedures in place.

Our plan to protect the country starts with our existing regulatory import controls that includes overlapping safeguards to reduce the risk of the disease coming from imports of agricultural products to an extremely low level. It includes extensive surveillance to detect any presence of the disease, should it make its way to our shores, as well as sanitary/phytosanitary requirements to which exports must adhere. If disease is suspected, we investigate the case immediately.

In the extremely rare chance that FMD is confirmed, our first priority would be to immediately contain and stamp out the disease through depopulation and movement restrictions. We would work closely with our state and industry partners to pool resources to expand our ability to respond to and eradicate this disease.

In the event of an outbreak, USDA would be able to use its emergency transfer authority under the Animal Health Protection Act to obtain funding to combat the disease, just as it did with the outbreak of HPAI.

Recently, APHIS has begun discussions with our partners about the use of vaccines in an emergency FMD response. While the response to an FMD detection would depend on several factors, vaccination is a key tool to have available should FMD enter the country. Accordingly, we maintain a supply of about 25 million doses of vaccine across multiple strains in the North American Vaccine Bank. However, this amount of vaccine on hand is not sufficient to respond to a large outbreak of the disease, if we must make the policy decision to use vaccine. This would limit the tools we have available to reduce disease spread.

Estimates of the amount of vaccine needed to address an outbreak of FMD in the United States vary. APHIS has set a preliminary goal of increasing to 35–40 million doses of vaccine across multiple strains. APHIS' 2016 appropriations request included \$1.2 million for the North American Vaccine Bank. This amount is a continuation of baseline funding and would maintain the vaccine bank at its current size.



Given the mismatch between estimates of vaccine need and what APHIS currently has access to, the Agency has had discussions with industry about how best to address the gaps in vaccine coverage. Those discussions have included a range of alternatives, including Federal-industry cost-sharing, to fund efforts to eliminate the shortage, and those conversations with industry are ongoing. APHIS and industry recognize the need for an increased vaccine stock, and we are committed to working with our partners to identify solutions.

*Question 2.* Administrator Kevin Shea, this year, the appropriations bill did not allot extra funding for the CARB (Combating Antibiotic Resistant Bacteria) initiative. Can you clarify your plans in support of the research portion of the CARB initiative? Are you anticipating cuts to other programs to fund CARB?

*Answer.* Antimicrobial resistance (AMR) is considered a serious health threat to both animals and humans. To address this threat the FY 2016 Budget for USDA included a total of \$77 million (+\$57 million), of which \$66 million (an increase of \$47 million) is for the Research, Education and Economics (REE) Mission Area and \$10.7 million (+\$10 million for surveillance) is for APHIS. The enacted FY 2016 Budget for USDA is \$25 million for REE for intramural and extramural research and \$730,000 for APHIS for surveillance.

USDA intends to continue to provide science-based, quantitative information about antibiotic drug use and resistance in food animals and their relationship to livestock management practices through existing work and available funding. This funding severely restricts our capability to implement initiatives described in the USDA Antimicrobial Resistance (AMR) Action Plan and Combating Antibiotic Resistant Bacteria (CARB) National Strategy. That plan may be found here: <http://www.usda.gov/documents/usda-antimicrobial-resistance-action-plan.pdf>.

USDA's AMR Action Plan takes a voluntary, comprehensive, systems approach for surveillance, research, education, extension, and outreach. This approach would include the development of partnerships with stakeholders and work through the existing programs and mission of APHIS (as well our sister agencies at USDA).

USDA, along with FDA, has continued to gather input from stakeholders to further refine plans for on-farm antibiotic use data collection contained in the AMR Action plan. Although no additional funding was provided in FY 2016, USDA has again requested additional funding for FY 2017 to conduct this voluntary on-farm monitoring of antibiotic-use practices and antibiotic resistance.

USDA will also solicit applications for competitive extramural funding to support research, education, and extension/outreach through the Antimicrobial Resistance Initiative program in FY 2016. This will continue to add to the portfolio of the AMR program that began in FY 2012. Funded scientists are generating and will continue to obtain science-based data, knowledge, and information to be used by relevant stakeholders to inform policy and other decision-making activities related to antibiotic stewardship and across the food chain.

**Response from Alfred V. Almanza, Deputy Under Secretary, Food Safety, U.S. Department of Agriculture**

*Question Submitted by Hon. David Rouzer, a Representative in Congress from North Carolina*

*Question.* Deputy Under Secretary Alfred Almanza, Congressman Lucas and I sent you a letter earlier this year regarding several U.S. processing plants and storage facilities that were barred from exporting pork to China last summer. Can you please update us on FSIS requirements for exports to China and is China still barring any U.S. facilities that have been approved by the guidelines of the Ractopamine Residue Program or the Never Fed Beta-Agonist Program?

*Answer.* The Food Safety and Inspection Service (FSIS) is working with China to get the fifteen establishments delisted by China reinstated as soon as possible, and is engaged in a thorough review of the circumstances that led to the establishments being suspended.

FSIS has emphasized to Chinese health officials that all raw U.S. pork products exported to China are produced either under the Never Fed Beta Agonist Program or a Ractopamine Free Residue Program. Both of these programs are administered by the United States Department of Agriculture's Agricultural Marketing Service, and any company seeking to export to China must participate in one of these two programs before FSIS will certify these products. The companies have taken corrective actions that FSIS has verified, and FSIS has requested that the establishments be allowed to resume exporting to China.